COUNCILMEMBER DONNA FRYE
City of San Diego

MEMORANDUM

DATE: June 11, 2009

TO: Jan Goldsmith, City Attorney

FROM: Councilmember Donna Frye Donna Frye

SUBJECT: Redevelopment Area CDBG Loans

After reading a June 10, 2009, *Voice of San Diego* article by Will Carless, it has come to my attention that a number of the city's redevelopment areas may not have the ability to pay back the CDBG loans provided to them over the years by the city. This situation greatly concerns me and I feel it is my duty to disclose any pertinent information I have regarding this matter. As such, please see my attached memoranda from 2007 and responses received from then SEDC President, Carolyn Smith. If there is any other information I can provide on this issue, which should be disclosed to investors with the City of San Diego or to HUD, please do not hesitate to contact me.

Thank you for your attention to this matter. Your timely response is greatly appreciated.

CC: Honorable Mayor and Councilmembers
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Monitor
Disclosure Counsel

DF/ks

COUNCILMEMBER DONNA FRYE
City of San Diego
Sixth District

MEMORANDUM

DATE: May 14, 2007

TO: Mayor Jerry Sanders
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
CFO/City Auditor (Unofficial), Jay Goldstone

FROM: Councilmember Donna Frye Donna Frye

SUBJECT: Issuance of 2007 Tax Allocation Bonds

On Tuesday, May 15, 2007 the City Council docket includes Item Number 331, which is the "Approval of the Issuance of 2007 Tax Allocation Bonds, Notes or Loans in the Total Amount of $42,000,000 to Finance and Refinance Portions of Costs of Three Redevelopment Projects." In addition, on the May 15, 2007 Redevelopment Agency docket there is a companion item, which is Item Number 2. Following are some of my initial questions.

1. The Independent Budget Analyst's (IBA) Report Number 07-51 indicates that the Disclosure Practices Working Group (DPWG) has reviewed the form and content of the documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to this Bond Offering such as the Preliminary Official Statement (POS). Is there a copy of the DPWG signed certificate in the materials provided to the City Council?

2. The Southeastern Economic Development Corporation (SEDC) does not have current audited annual financial reports, nor audited financial reports for FY 2002-2003 through 2004-2005. When was the last fiscal year that SEDC and the Redevelopment Agency had an audited financial report, and who issued the independent auditors' opinion?

3. Given the fact that there are no audited financial reports, what specific procedures were followed to ensure that the financial information is accurate and not misleading?

4. Has the SEDC Board of Directors issued a signed certification attesting that the financial statements are accurate?

5. What financial internal controls are in place at SEDC, the Redevelopment Agency, and the City of San Diego to ensure that the financial information being provided in the POS can be relied upon?

6. What is the total amount of debt SEDC owes to the City of San Diego and what, if any is the repayment schedule? Where is the debt owed to the City disclosed?

7. Much of the information on page 6 of the POS (Certain Investigations Regarding the City) is outdated. For example, according to a letter from KPMG, dated May 3, 2007, it states that KPMG's engagement is completed whereas the information provided on page 6 states otherwise. I have taken note that there is a bracketed statement (to be updated – M. Blake), however, the City Council must be provided with all updated information in advance of any proposed action.

8. There are many blank pages and/or incomplete information on pages throughout the documents provided to the City Council for review. Please provide an explanation for all such pages and also when the missing information will be provided.

9. Was the City Attorney's investigation of SEDC disclosed? What corrective actions has SEDC taken to ensure such problems do not occur in the future? Have the issues pointed out in the report been corrected?

10. The IBA's Report Number 07-51 also indicates that the Redevelopment Agency met with Moody's Ratings recently, and expects to receive a rating by May 18, 2007. The City Council should have that information before voting on this bond issuance.

Cc: City Councilmembers
Andrea Tevlin, IBA
Greg Levin, Deputy Comptroller
Stanley Keller, Independent Consultant

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MAY 25 2007

COUNCILMEMBER
DONNA FRYE

SEDC

Southeastern
Economic
Development
Corporation

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www.sedcinc.com

Memorandum

Date: May 24, 2007

To: Council President and Members of the City Council

From: Carolyn Y. Smith, President CYS

Subject: ***Response to Councilmember Donna Frye's Memorandum Dated May 14, 2007 – Issuance of SEDC's 2007 Tax Allocation Bonds***

This memorandum is in response to the memorandum prepared by Councilmember Donna Frye dated May 14, 2007 regarding the Southeastern Economic Development Corporation's (SEDC) proposed 2007 Tax Allocation Bond (TAB) issue. The following are responses to the specific questions raised in the memorandum with respect to the bond issue:

1. Is there a copy of the DPWG signed certificate in the materials provided to the Council?

Yes, a copy of the DPWG signed certificate was included in the materials provided to the City Council and it is attached as Exhibit B to the memorandum of the City Attorney dated May 9, 2007, to the City Council regarding its Due Diligence and Disclosure Obligations Under Federal Securities Laws.

2. When was the last fiscal year that SEDC and the Redevelopment Agency had an audited financial report, and who issued the independent auditor's opinion?

SEDC's last corporate audited financial report was fiscal years ended June 30, 2006 and 2005. The independent auditors' opinion was issued by Macias Gini & O'Connell LLP (Macias) on August 28, 2006. For the fiscal years ended June 30, 2005 and 2004, the opinion for these reports were issued by Macias and was issued on October 28, 2005.

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Additionally, the audited financial reports for fiscal years ended June 30, 2004 and 2003, as well as for the year ended June 30, 2003, were completed and the independent auditor's opinion was issued by Caporicci & Larson Certified Public Accountants.

The Annual Financial Report for all projects of the Redevelopment Agency of the City of San Diego and the City's financial statements for the fiscal year ended June 30, 2003, were submitted to the City Council for review and filing. It is SEDC's understanding that Macias has been retained to perform an audit and render an opinion on the financial statements of the City are for the fiscal years ended June 30, 2004 through June 30, 2007.

3. ***Given the fact that there are no audited financial reports, what specific procedures were followed to ensure that the financial information is accurate and not misleading?***

The primary disclosure in the Preliminary Official Statement (POS) is based on the Report of the Fiscal Consultant and is not of the type of financial information that is audited by an independent auditor. The following table is a list of the financial information and how it was obtained.

Financial Information	Procedures:
The Amount of Mount Hope Bonds to remain outstanding after issuance of the 2007 Bonds	RBC Dain Rauscher (Managing Underwriter) computed these amounts based on what is expected to be refunded and how much of the principal has been paid off over the years, as indicated in the Preliminary Official Statement for the outstanding bonds.
Table 1- Tax Increment Received to Date	This information is taken from the Statement of Indebtedness filed for the 2006-07 (a requirement under California Redevelopment Law). The Statement of Indebtedness was prepared by the City of San Diego's Auditor's Office.
The Statutory Pass-Through Payment Amounts for Fiscal Year 2006-07	This is estimated by the Fiscal Consultant for the bond issuance based on the Assessed Value in a Redevelopment Project Area and statutory formula.
Pass-Through Agreement payments	This is estimated by the Fiscal Consultant for the bond issuance based on Assessed Value in a Redevelopment Project Area and the formula set forth in the appropriate agreement.
Redevelopment Law Section 33676 Payments	This estimated by the Fiscal Consultant for the bond issuance based on Assessed Values and statutory formula.
Outstanding City Loan Amounts payable from tax increment generated by the Southcrest, Central Imperial and Mount Hope Redevelopment Project Areas	These figures are generated by the City Auditor's office.

4. ***Has the SEDC Board of Directors issued a signed certification attesting that the financial statements are accurate?***

As noted in Response No. 2, the financial statements reporting on the projects of SEDC are part of the City audit. Certification of the corporate financial statements is part of the requirement of the audit of the financial statements for SEDC. The President and the Director of Finance issued a signed statement dated August 31, 2006, confirming that in connection with the audit of the financial statements for SEDC as June 30, 2006 and 2005 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and governmental fund of SEDC and the respective changes in financial position in conformity with U.S. generally accepted accounting principles.

5. ***What financial internal controls are in place at SEDC, the Redevelopment Agency, and the City of San Diego to ensure that the financial information being provided in the POS can be relied upon?***

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At SEDC's corporate level, financial internal controls are in placed and have been reviewed and updated annually in compliance with the independent auditors and the City auditor's recommendations/requirements. This information will not be used in connection with the offer and sale of the bonds. Please refer to the Response to Question No. 3 regarding the financial information reflected in the POS.

6. ***What is the total amount of debt SEDC owes to the City of San Diego and what, if any is the repayment schedule? Where is the debt owed to the City disclosed?***

As of June 30, 2006, the total amount of debt SEDC owes to the City of San Diego is $71,698,973 which consists of $38,429,442 in principal and $33,269,531of interest accrued. This information will be disclosed in the POS under the heading "Subordinate Obligations." cannot find

7. ***Much of the Information on page 6 of the POS (Certain Investigations Regarding the City) is outdated.***

This information has been updated in the current version of the POS that will be delivered to the Council the week of May 30th.

8. ***There are many blank pages and/or incomplete information on pages throughout the documents provided to the City Council for review Please provide an explanation for all such pages and also when the missing information will be provided.***

Included in the 1472 for the Approval of the 2007 Tax Allocation Bond issuance which was provided to the City Council (prior to the originally scheduled May 15, 2007 hearing) is an individual Log of Outstanding Items. The logs are inserted in front of each required document to be approved by the Agency and reflect the following information: Document Name; Page No.; Outstanding Items descriptions; Responsible Party; and Expected Availability.

9. ***Was the City Attorney's investigation of SEDC disclosed? What corrective actions has SEDC taken to ensure such problems do not occur in the future? Have the issues pointed out in the report been corrected?***

No. After reviewing and discussing the City Attorney's Report, dated March 8, 2007, disclosure counsel, the city attorney's office, the financial advisor and SEDC determined the investigation and events described therein to be immaterial to potential investors. The investigation found that SEDC failed to comply with the City's affordable housing guidelines in a few instances, and concluded that SEDC and the Redevelopment Agency needed to implement better controls to make sure these situations do not occur in the future. At least one of the suggested controls has already been implemented:

> At its October 2006 meeting, the SEDC Board of Directors voted to approve an amendment to the current administrative contract with the San Diego Housing Commission (Commission) to include the monitoring of long term affordability for Agency subsidized developments. This is in addition to SEDC's residential rehabilitation programs, and the first-time homebuyer assistance programs that have been administered by the Commission since 1996.

Nothing in the investigation indicated that SEDC had any significant operational or other issues that would impair its ability to effectively manage the overall development of its project areas. Likewise, SEDC the investigation does not suggest any issues that may materially affect the generation of tax increment in the Redevelopment Project Areas. Since the continuing operation of SEDC and the Agency's ability to collect tax increment in the Redevelopment Project Areas is not at risk, our recommendation is that the description of investigation is immaterial and does not need to be described in the POS.

10. ***The IBA's Report Number 07-51 also indicates that the Redevelopment Agency met with Moody's Ratings recently, and expects to receive a rating by May 18, 2007. The City Council should have that information before voting on this bond issuance.***

On May 8th and 9th, SEDC met with Moody's and Ambac Financial Group, Inc. to provide a tour of the redevelopment areas and discuss the bonding rating and feasibility of insurance. The ratings and insurance information will be provided to the City Council as soon as it is available.

CYS:kk

c: Mayor Jerry Sanders
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
CFO/City Auditor (Unofficial), Jay Goldstone

COUNCILMEMBER DONNA FRYE
City of San Diego
Sixth District

MEMORANDUM

DATE: May 22, 2007

TO: Mayor Jerry Sanders
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
CFO/City Auditor (Unofficial), Jay Goldstone

FROM: Councilmember Donna Frye Donna Frye

SUBJECT: Issuance of 2007 Tax Allocation Bonds Follow-up

This is a follow-up to my May 14, 2007 memorandum regarding the *"Approval of the Issuance of 2007 Tax Allocation Bonds, Notes or Loans in the Total Amount of $42,000,000 to Finance and Refinance Portions of Costs of Three Redevelopment Projects."* The item was docketed for the May 15, 2007 City Council and Redevelopment Agency meetings, but was continued until May 22. I have received documents from Mark Blake and Greg Levin that have been responsive to some of the questions in my May 14, 2007 memo. Therefore, only the following questions and/or requests for more information from my May 14 memorandum remain, and are noted in bold print.

1. The Southeastern Economic Development Corporation (SEDC) does not have current audited annual financial reports, nor audited financial reports for FY 2002-2003 through 2004-2005. **When was the last Fiscal Year that SEDC and the Redevelopment Agency had an audited financial report, and who issued the independent auditors' opinion?**

2. Given the fact that there are no audited financial reports, **what specific procedures were followed to ensure that the financial information is accurate and not misleading?**

3. **What financial internal controls are in place at SEDC, the Redevelopment Agency, and the City of San Diego to ensure that the financial information being provided in the Preliminary Official Statement (POS) can be relied upon?**

4. Much of the information on page 6 of the POS (Certain Investigations Regarding the City) is outdated. For example, according to a letter from KPMG, dated May 3, 2007, it states that KPMG's engagement is completed whereas the information provided on page 6 states otherwise. I have taken note that there is a bracketed statement on that page *"(to be updated – M. Blake)"*; **however, the City Council must be provided with all updated information in advance of any proposed action.**

5. There are many blank pages and/or incomplete information on pages throughout the documents provided to the City Council for review. **Please provide an explanation for all such pages and also when the missing information will be provided.**

6. **Is the City Attorney's investigation of and subsequent report regarding SEDC disclosed in the POS? What corrective actions has SEDC taken to ensure such problems do not occur in the future? Have the issues pointed out in the report been corrected?**

7. The IBA's Report Number 07-51 also indicates that the Redevelopment Agency met with Moody's Ratings recently, and expects to receive a rating by May 18, 2007. **The City Council should have that information before voting on this bond issuance.**

In addition to requesting a written response to the above questions, I also have additional questions, which are provided below. I am requesting written responses to these questions as well. It is necessary to know: the total debt already owed by each of SEDC's Redevelopment Project Areas, the amount of tax increment revenue that is already pledged to pay the current debt, the amount of proposed new debt for each Redevelopment Project Area, the debt limits for each of the Project Area, whether any of the debt limits would be exceeded if new debt were issued, whether the tax increment revenue is sufficient to pay for all the debt (both existing and new) and whether all debt has been properly disclosed.

8. **How much is the Southcrest Redevelopment Project Area proposing to borrow? How much is the Central Imperial Redevelopment Project Area proposing to borrow? How much is the Mount Hope Redevelopment Project Area proposing to borrow? Please include both principal and interest for each project area as well as the cost of issuing the bonds and funding the debt service reserve surety bonds for the Bonds.**

9. Throughout the Preliminary Official Statement (POS), there are references to a *"Report of the Financial Consultant"* (Appendix A). For example, in the Certificate of Robinson & Pearman, LLP to the Disclosure Practices Working Group, it states that the POS includes a Fiscal Consultant's Report (Appendix A). In addition, the Certificate that was signed by Keyser Marston Associates, Inc. states that they prepared the Fiscal Consultant Report, dated March 8, 2007.The

documents that I have received to review do not appear to include an Appendix A. **Please indicate where in the documents Appendix A can be found.**

10. The POS also has references to Appendix C, Appendix E and Appendix G. including references in the Table of Contents. However, in the document that I have received, those pages are blank. **Please indicate where in the documents Appendices C, E and G can be found.**

11. SEDC has outstanding debt that it owes to the Redevelopment Agency. The Redevelopment Agency is required to repay that debt to the City of San Diego (both principal and interest). According to the most current information available as of June 30, 2006, in the SEDC Administered Project Areas there is currently $71, 698,972 in debt owed by SEDC to the Redevelopment Agency. Mr. Greg Levin provided this information to me in a memorandum dated November 21, 2006, in response to questions I raised regarding the unaudited Fiscal Year 2003 Draft Comprehensive Financial Report (CAFR). **This information needs to be disclosed and should include SEDC's debt repayment schedule to the Redevelopment Agency as well as the funding source for the loan repayments. In addition, please provide the loan repayment schedule for all debt owed to the City of San Diego by the Redevelopment Agency.** Mr. Levin's November 21, 2006 memo can be found at the link below (go to his response #4): http://www.sandiego.gov/citycouncil/cd6/pdf/levin061121.pdf

12. In addition, according to Mr. Levin's memorandum, SEDC receives Operating Subsidies from the Redevelopment Agency to *"support the ongoing administrative costs associated with the operations of each non-profit corporation."* **Please provide the amount of the SEDC operating subsidy that the Redevelopment Agency has provided since SEDC's inception. What is the amount of the SEDC operating subsidy in 2007 and the source of revenue for that subsidy? Also, please provide the amount of proposed SEDC operating subsidy that the Redevelopment Agency may provide for FY 2008, and the source of revenue.**

13. It appears that the operating subsidy to SEDC (from 2002 through 2006) is $7,776,400. **Does the operating subsidy require repayment to the source of the subsidy? IF SEDC did not receive an Operating Subsidy, would this hinder in any way their ability to meet their loan repayment obligations to the Redevelopment Agency?**

14. According to the POS, *"The proceeds of the Bonds are used by the Authority to make five separate loans to the Agency for the three Redevelopment Project Areas..."* **Should the Redevelopment Agency's financial statement and the total current Agency debt be disclosed in the POS?**

15. The Certificate that was signed by the Redevelopment Agency Bond Counsel, Robinson & Pearman LLP, states that they have read the Draft POS, but *"have*

not independently verified the factual information in the Draft POS, nor were we retained to do so..." **Was anyone retained to independently verify either the factual or financial information contained in the POS? If so, who performed the independent verification and when?**

16. According to the POS (see the second set of pages numbered as page 6), there is a Tax Increment Limitation, which is the maximum amount of Tax Revenues which the Redevelopment Agency may receive from the Redevelopment Project Areas. The maximum amount for Southcrest is $87 million, for Central Imperial it is $142 million and for Mount Hope, the amount is $47 million. Of that Tax Revenue total, Southcrest has collected over $9 million in tax increment; Central Imperial has collected over $6 million and Mount Hope has collected over $15 million. **Should the Tax Revenues already received be identified and deducted from the total Tax Revenue remaining for each Project Area (in order to determine the amount of Tax Increment Revenue that could be used for new debt to make the loan repayments to the Redevelopment Agency)?**

17. On page12 of the POS (the second page numbered page 12, second paragraph) it discusses when and how the Redevelopment Agency may receive and pay indebtedness with proceeds from property taxes in accordance with Section 33670 of the Redevelopment Law. The paragraph concludes by stating that. "*There is presently no such outstanding debt.*" **Please provide a description and examples of the type of debt to which this paragraph is referring. For example, would Redevelopment Agency debt from City of San Diego loans meet these criteria? The paragraph also refers to debt from the Housing Fund. What is this?**

18. On page 18 of the POS, it states that the Southcrest Redevelopment Project Area has bonded indebtedness that is secured by tax increment. **How much is that loan (principal and interest) and how much tax increment revenue has been secured to pay the bonded indebtedness?** I did note that on page1 of the Loan Agreement and Third Supplemental Trust Agreement for Southcrest Redevelopment, under the Recitals, C. it states that the Agency had previously issued $3,750,000 in tax allocation bonds to Southcrest in 1995 and $1.860,000 in tax allocation bonds in 2000 to Southcrest.

19. On page 18 of the POS, there is a reference to the "*Plan of Finance* "for the Southcrest Redevelopment Project Area. **Please provide the page number in the POS for that Plan of Finance.**

20. On page 25 of the POS, it states that the Central Imperial Redevelopment Project Area has bonded indebtedness that is secured by tax increment. **How much is that loan (principal and interest) and how much tax increment revenue has been secured to pay the bonded indebtedness?** I did note that on page1 of the Loan Agreement and Second Supplemental Trust Agreement for the Central

Imperial Hope Redevelopment Project, under the Recitals C., it states that the Agency had previously issued $3,395,000 in tax allocation bonds in 2000.

21. On page 25 of the POS, there is a reference to the *"Plan of Finance"* for the Central Imperial Redevelopment Project Area. **Please provide the page number in the POS for that Plan of Finance.**

22. On page 31 of the POS it states that in addition to the indebtedness under the Loan related to the Mount Hope Redevelopment Project Area, the Redevelopment Agency appears to have indebtedness under the loan related to bonds issued in 1995, outstanding in an aggregate principal amount of $840,000, and indebtedness under the loan related to bonds issued in 2002,outstanding in an aggregate principal amount of $3,055,000. There does not appear to be any reference to a Plan of Finance, unlike the other two project areas. **Should there be a Plan of Finance for Mount Hope included in the POS?**

23. On page 1 of the Loan Agreement and Fourth Supplemental Trust Agreement, under Recitals, C. it notes that the Agency previously has issued $1,200,000 aggregate original principal amount of Mount Hope Bonds in 1995 A; $3,395,000 aggregate original principal amount of Mount Hope Bonds in 1995 B and $3,055,000 aggregate original principal bonds in 2002. **Please explain why the information provided in the Loan Agreement is different than the information provided in the POS. Has some of the debt been repaid?**

24. As of June 30, 2006, Southcrest owes the Redevelopment Agency $18,807,765; Central Imperial owes $29,312,283 and Mount Hope owes $4,481,149 for loans made to the Redevelopment Agency by the City of San Diego. **Would the debt owed to the Redevelopment Agency reduce the maximum amount of Tax Revenues that could be used by the Southcrest, Central Imperial or Mount Hope Project Areas to pay for new debt service? How is the debt to the Redevelopment Agency accounted for in SEDC's financial disclosures in the POS, and where is it shown?**

25. **Is there any other debt that is owed by the SEDC Project Areas to the Redevelopment Agency or anyone else that is not disclosed and/or that may affect the Redevelopment Agency's ability to pay back the debt it owes to the PFFA, the City or anyone else?**

26. According to Table 1 in the POS (second page 12 in the POS numbered page 12), the Debt Limit for Mount Hope is $14.2 million. The debt owed to the Redevelopment Agency by the Mount Hope Project Area is over $18 million, not including existing debt service for bonds. **In order to determine if the Debt Limit has been exceeded, would that amount be subtracted from the Debt Limit amount?** If so, the remaining Debt Limit would appear to be a negative $3.8 million. In other words, the amount of debt owed to the Redevelopment Agency by the Mount Hope Project Area (before any new debt is even incurred)

already seems to exceed its Debt Limit by approximately $3.8 million. **Is this correct and has the Mount Hope Project Area exceeded their Debt Limit?**

27. The total Debt Limit for the Southcrest Project Area appears to be $26,100,000 (shown in the POS in Table 1 on the second page12 numbered page12). Southcrest owes the Redevelopment Agency over $18 million for money the Redevelopment Agency borrowed from the City of San Diego, not including existing debt service for bonds. **Would the existing debt combined with the new debt cause the Debt Limit to be exceeded or does the Debt Limit amount that is shown include existing and/or new debt? If not, is it legal and shouldn't it be disclosed in the POS?**

28. The total Debt Limit for the Central Imperial Project Area appears to be $46,200,000 (shown in the POS in Table 1 on the second page 12 numbered page 12). Central Imperial owes the Redevelopment Agency over $29 million, for money the Redevelopment Agency borrowed from the City of San Diego, not including existing debt service for bonds. **Would the existing debt combined with the new debt cause the Debt Limit to be exceeded or does the Debt Limit amount that is shown include existing and/or new debt? If not, is it legal and shouldn't it be disclosed in the POS?**

Finally, I have attached two articles from the *Voice of San Diego* regarding SEDC to ensure that I disclose any material information of which I am aware. I would also refer you to the City Attorney's Report on SEDC, which is not attached, but is available from the City Attorney.

Attachments: articles from *Voice of San Diego*

Cc, City Councilmembers
Andrea Tevlin, IBA
Greg Levin, Deputy Comptroller
Stanley Keller

Articles from *Voice of San Diego*

Affordable No More
By ANDREW DONOHUE Voice Staff Writer

Monday, Oct. 2, 2006 | Like so many other homes in the red-hot San Diego real estate market, 571 Drew View Lane rode the boom to the maximum. The brand-new home sold for $181,000 in 2000. Five years and four owners later, it went for $499,999.

It wasn't supposed to.

Built with the help of public funds and with the aim of bringing new, affordable homes to San Diego's southeastern neighborhoods, 571 Drew View Lane was to stay in the hands of low-and-moderate income residents for the first 10 years of its existence.

But 571 Drew View Lane instead became a perfect tool for the get-rich-quick spirit that pervaded the market in recent years. At the market's peak, one buyer, Lisa Pham, purchased the home on Feb. 17, 2005 for $399,999 and sold it again for $499,999 on Sept. 26, 2005, reaping a $100,000 profit in just more than seven months.

A document required to be filed alongside an affordable home's deed at the county Recorder's Office would have given the Southeastern Economic Development Corp. -- the city of San Diego's redevelopment arm for the neighborhood -- final approval of any sales. That would have allowed the agency to veto any sale that didn't leave the home in the hands of someone of low or moderate means.

The agency and the project's developer failed to file the document for 22 of the 23 homes at the Village at Euclid development, and from the moment 571 Drew View Lane sold to its first owner, it quickly slipped from the city's affordable housing stock and into the region's rambunctious home market.

The brief, but busy, history of 571 Drew View Lane is one of a number of examples found by *voiceofsandiego.org* that illustrate how lax agency oversight and enforcement allowed the limits of the program designed to bring affordable homeownership to one of San Diego's working-class neighborhoods to be stretched and, at times, crossed by homebuyers, an agency consultant and at least one developer.

A review of two affordable housing projects completed in the last six years found instances in which SEDC has failed to properly enforce both affordable housing standards and its agreements with Carter Reese & Associates -- a developer headed by SEDC's former president.

As a result, the agency has been unable to monitor its affordable housing restrictions on all but one of the 23 homes in the Village at Euclid development, including the four units that were to be restricted to certain income levels for their first 10 years of existence. At least two of those homes have changed hands multiple times without agency oversight, allowing the owners to reap the windfalls of a sizzling housing market with the help of public funds, as well as diluting the agency's efforts to meet the state mandate that 15 percent of homes in the Southeast redevelopment area be considered "affordable housing."

In the same development, Carter Reese & Associates sold a number of homes each for at least $10,000 more than they were authorized by the San Diego City Council. Doing so drove up the cost of homes for the purchasers and boosted the firm's bottom line by at least $72,000.

And in a similar housing development built four years later, Carter Reese & Associates awarded one of the projects' affordable homes to an SEDC consultant. The contractor, Angela Harris, worked briefly on the Village at Euclid project and receives between $45,000 and $50,000 a year in SEDC funds.
Five months after purchasing the home, Harris received a $50,000 contract extension for her SEDC work. She has since refinanced the house twice, cashing out $124,000 in equity in the two years since she purchased the home -- potentially driving it out of the affordable range if it were to be put up for sale because of the increased size of the mortgage.

The projects also demonstrate the awkwardness with which some government agencies tried to control a housing market gone berserk and monitor a resident's homeownership for a decade or more.

SEDC President Carolyn Smith said there was no intent to allow "anyone to get away with anything." SEDC officials described the miscues in Village at Euclid as an administrative mix-up that took place years ago -- a blemish in an otherwise successful organization that provided lessons. They said Harris received no special treatment because of her status as an SEDC consultant.

After the project was completed, officials scrambled to have owners sign and register the vital documents retroactively, but without success.

One employee raised concerns regarding the lack of documentation and the inflated home prices directly to the City Council in February 2002 before Carter Reese and SEDC embarked on another partnership. She was fired four months later for "continuous insubordination."

Attorney Catherine Rodman, who represents low-income clients in affordable housing cases, said affordable housing projects often turn out to be quite different from what is originally proposed.

"There is nobody watchdogging it, and these are scarce public dollars that people really need," she said. "They've got this money, they're kind of spending it as they spent it, and then it's gone."

Village at Euclid

The original agreement between Carter Reese and SEDC for Village at Euclid, crafted in 1997, looked like an affordable housing dream.
In exchange for a $210,000 loan from SEDC's housing fund, the developer agreed to several conditions. All 23 homes were to be kept affordable for those in the low-to-moderate income range -- between 80 percent and 120 percent of the area median income. Using the money paid back from the loan, the agency was to offer $200,000 to fund a homebuyers assistance program at more than $8,000 a home.

At least five of the homes were to carry restrictions on the deeds ensuring that people of low-and-moderate income owned them for the following 10 years.

But by the time Village at Euclid's denizens first walked through the doors in 2000, the development had changed considerably, from the price restrictions to the number of affordable units to be offered.

In its original agreement with the SEDC and its umbrella organization, the Redevelopment Agency, Carter Reese envisioned building 23 homes in three different styles and price ranges. The agreement called for four 1,375-square-foot, "Logan-style" homes to be sold at $135,000; nine 1,675-square-foot, "Crawford-style" homes at $155,000; and 10 1,875-square-foot, "Williams-style" homes at $165,000.

SEDC documents, as well as communications between the developer and SEDC, show that the agreement mutated during the three years of planning

and construction. Saying unforeseen costs, the return of a vibrant housing market, and more costly construction materials had changed the economics of the deal, the developer received $40,000 in agency funds to help build a storm drain and an $80,000 loan to cover other costs.
As part of the give-and-take, the amount of affordable housing rose and sank, and SEDC and the City Council permitted the developer to raise the price caps to allow the homes to be sold for more than was originally envisioned.

But, ultimately, what was built didn't match-up with the final deal worked out in the agreement and approved by City Council.

In the end, Carter Reese sold all five Crawford-style homes that were built for between $191,000 and $198,000, surpassing the authorized cap of $181,000.

In total, the homes sold for a combined $72,000 more than authorized, increasing the new homeowners' costs and the developer's bottom line. Also, four more homes that were envisioned in the contract to be built as the mid-level Crawford-style homes were instead built as the larger Williams-style homes, selling for between $205,000 and $206,000. If they'd been built in the Crawford style -- about 200 square feet smaller than the Williams style -- and with the $181,000 price cap, Carter Reese would have had to sell the homes for a combined $99,000 less.

Those changes would have given Carter Reese an additional $171,000 boost in a project estimated to turn a $350,000 profit.

Reese Jarrett, cofounder of Carter Reese & Associates and head of the project, denied numerous requests for comment for this story.
Royce Jones, SEDC's outside lawyer, said that because the final amendments don't include any language referring to the sizes of homes that could be built, the developer was given freedom "to move around."
Jarrett offered the same assessment when an SEDC employee brought up the issue in a number of letters in 2000 and 2001. In a July 25, 2000 letter, Jarrett wrote that the housing mix described in the original loan agreement "was for purposes of description only."

The specific housing mix was laid out in the original loan agreement. Unlike the rest of the alterations made to the agreement during the three-year process, the changes to the housing-style mix were never addressed in any of the amendments approved by City Council.

"Our only concern was the units that were going to be the affordable housing," Jones said.

Jones and Smith said the project contained four affordable units. Documents indicate that Carter Reese only intended to offer two affordable units. However, the number that was actually offered to those who qualified as low-and-moderate income buyers is unclear because the requisite paperwork -- known as a notice of restriction -- is not on file with the San Diego County Recorder's Office.

The notice of restriction is a vital document in the affordable housing process because it allows the government to ensure that affordable homes remain in the hands of those they are intended for beyond the original sale. Signed by the homeowner and mandated in the loan agreement, the document requires the owner provide the proper documentation to prove that subsequent buyers meet the low-and-moderate income standards. The document also gives the agency the right to file an injunction prohibiting the sale of the home to anyone who doesn't qualify under the income requirements.

The document is an attempt to regulate the balance of a program intended to make homeownership achievable to a certain class, but that must also keep the home in the affordable range for a given time frame -- and make sure that public money isn't used to gain outsized profits.

The idea of forming redevelopment areas came about as a way to revitalize downtrodden neighborhoods. It allows local governments to capture and reinvest a greater share of the taxes collected in the area that otherwise would have escaped and gone on to other higher levels of government. In turn, the government agency overseeing the area must ensure that 15 percent of homes there be considered affordable to those of low and moderate incomes. Redevelopment agencies such as SEDC team with developers to provide funding in exchange for the construction of affordable housing.

In Village at Euclid, portions of a handful of notices of restriction were completed and are on file with SEDC, but they aren't on file with the county recorder.

When confronted with the lack of notices, SEDC officials said a superseding document filed on the entire project before the individual home sales had allowed them to continue to monitor the affordable housing standards.

However, they were unaware that two of the units that appear to have been intended for affordable housing had been bought and sold numerous times. They couldn't provide evidence showing that the agency had monitored or approved any of the home sales.

For example, Lot 3 in the Village at Euclid development was purchased by George S. and Bernice Lewis. They bought the home, which eventually became 571 Drew View Lane, in 2000 for $181,000.

They then sold the home Oct. 28, 2003 to Hong Dinh for $350,000, nearly doubling their initial investment. On Feb. 17, 2005, Dinh sold the home to Lisa Pham for $399,999. Months later, on Sept. 26, Pham sold the home for $499,999, reaping a $100,000 profit.

Likewise, 554 Drew View Lane was bought by Cheng and Souprany "Prany" Sumontha for $174,000. The couple sold the home Aug. 12, 2003 for $342,000 to Tuyet Nguyen, who sold again Dec. 9, 2005 for $485,000. It appears that 554 Drew View Lane would've been one of the affordable units in the development, as it had the lowest selling price in Village at Euclid. Under the terms of the loan agreement, the affordable units were to be offered to those making below 120 percent of the area median income. Currently, a three-bedroom home such as these two units can't be sold for more than $363,000 to still be considered "affordable housing" for someone making 150 percent of the area median income, according to the guidelines of the San Diego Housing Commission, the city's public housing authority.

Had SEDC properly monitored the sales of these homes, they would have been able to ensure that the purchaser in each case qualified for the low-and-moderate income standards. That, in turn, would have likely kept prices from skyrocketing.

Smith said "the best intentions were there." She said she couldn't verify whether or not the agency had approved the sales. Smith said the developer's sales agents got out ahead of SEDC officials at the start of the project in selling the homes, and pointed out that the agency later attempted to get notices put on the homes.

"We made every effort we could," Smith said. "We learned from this instance."

At least two mid-level SEDC employees were aware of the problems as the project progressed and attempted to correct them. One of them was later fired.

Beginning in July 2000, SEDC project liaison Marie Humphrey wrote a series of letters to Jarrett warning that the project didn't comply with loan agreement because sales prices in the project's brochures were higher than authorized, that the housing mix didn't match up with the loan agreement and that the proper notices of restriction weren't being recorded as the homes were being sold.

Jarrett responded in a July 25, 2000 letter, indicating that one affordable lot had already been sold. He assured Humphrey that the remaining three buyers of the affordable homes would sign the restrictions. And Jarrett contended that the $181,000 price cap for the mid-size homes had been removed in a copy of the third amendment that he'd received from SEDC. However, the third amendment approved by the City Council on April 11, 2000, makes no reference to any changes to the prescribed sales price caps for the homes. Rather, it authorizes extending an $80,000 loan to Carter Reese because it had incurred unforeseen expenses such as concrete debris, utility issues and city processing fees.

A day later, Humphrey's colleague, Sherry Brooks, wrote to Royce Jones seeking his advice on how to handle the lack of documentation on the homes.

"A buyer who is expecting to close escrow in a few weeks has called us about the income restrictions and is all upset as he was not informed of this before this time," she wrote. "We need to know how to react to this call as well as the developer's letter."

No response from Jones was found in the agency's document files.
Nine months later, Humphrey continued to push Jarrett. In an April 10, 2001 letter, she reiterated her early concerns and also noted that some notices were allowing the homes to be rented, contrary to the loan agreement's mandate that all homes be occupied by the owners for the first 10 years.

In addition to the documents that were to be placed on the four affordable units, the remaining 19 homes were to have a restriction on them: that the homeowner live in the residence for at least 10 years to create true ownership rather than income-making rental properties.

Jarrett -- who gave Smith her first job at SEDC while serving as the agency's president in the 1980s -- acknowledged the documentation problem in a letter later that month. But he said he and his associates had tried to fulfill the notice requirement, noting that many "of the homeowners were confused or wary of signing the restrictive documents, especially those people who received their documents *after* they had purchased their properties."

Jarrett then explained that a number of corrections had to be made to the third amendment. He asked that the amendment allow him to make only two units "affordable housing" and that there be no price restrictions for the two largest models.

But the homes had already been built and sold, and the City Council had already approved a third amendment didn't address either of those two vital conditions -- which greatly changed the make-up of the project.
In February 2002, when a following partnership between Carter Reese and SEDC was being planned, Humphrey continued to stress her concerns, this time going higher up the chain of command. She wrote a letter to the City Council stating that "the developer did not follow the guidelines" laid out in the contract. She was fired by Smith in May 2002.

There is one home out of 23 in the Village at Euclid development that does have the notice of restriction alongside the deed at the Recorder's Office. That home belongs to Joyce and Calvin Yeldell -- Smith's sister and brother in law.

The home purchased by the Yeldells wasn't one of the designated "affordable units." SEDC officials said Smith's kin bought a market-rate home and didn't receive any direct agency assistance.
Because of the agency's participation in the project, the Yeldells were required by contract to live in the home for at least the first 10 years and not rent it out.

In July 2001, after the homes in Village at Euclid had been bought and occupied, SEDC called a meeting with homeowners to attempt to get the notices on the homes after the fact. It was unsuccessful.
Leading the efforts was SEDC consultant Angela Harris.

Skyline Terrace Estates
Harris would be involved in another partnership between SEDC and Carter Reese -- but this time as a customer, not a consultant.

Interest was high when Jarrett laid down his plans to build 28 new, for-sale homes in the Skyline neighborhood. In a December 2002 letter to SEDC, Jarrett wrote that his firm had an "interest list of more than 600" people, who would receive brochures on the homes that would become Skyline Terrace Estates.

Four of the homes would be offered to low-and-moderate income residents at a restricted price, thanks to a $140,000 loan being offered from SEDC's affordable housing fund.

Harris was selected as one of the four homebuyers to receive an affordable unit, and in 2004, she purchased the home for $280,000. She signed a notice of restriction that required any future owner qualify for the income requirements for the following 10 years.

Harris started working for SEDC in 1999 and eventually began receiving sole-source contracts in 2005. Sole-sourcing allows Smith to grant Harris contracts without opening them up to bids from other applicants. She has received regular contract extensions: a $45,000 contract in 2000; $30,000 in February 2002 and another $45,000 in August 2002; $45,000 in July 2003; $50,000 in October 2004; and $50,000 in August 2005.

She also received $140 an hour working as a consultant to SEDC's Entrepreneur Academy in 2005, turning in invoices of $3,500 and $1,960 in 2005. As part of her job, Harris hosts a weekly luncheon for property managers. Among the duties in some of her contracts: "providing information and verification of affordable housing laws and requirements per redevelopment law."

She said that she got her name in early to apply for the affordable housing, which was handed out on a first-come, first-serve basis. Some agencies choose to do lotteries to determine the buyers of their affordable homes. "Being that I am on the Project Area Committee (a local redevelopment advisory group) and being that I'm very active in the community, there are very few developments coming up that I'm not familiar with," she said. "And so even before they poured any concrete or put up one piece of stick, I was on the waiting list for Reese Jarrett, or Carter Reese."

Harris said she received no special treatment. "I went through the same thing as every single homeowner here," she said.

Robert Stern, author of the 1972 Political Reform Act, said Harris' arrangement is troublesome. "Even if her name was pulled out of a hat, it still raises a question -- and I bet her name was not pulled out of a hat," he said. "The question is favoritism."

"You have to be as clean as you can and as hands-off as you can," Stern added. "The problem is that these [homes] are so desirable that it's very tempting to play favorites. Particularly in the past few years."

Jones, SEDC's outside attorney, said Harris received no special treatment. "She's previously a resident of the community. That allowed her to qualify," he said. In fact, disqualifying Harris from purchasing the home because of her employment could have opened up the agency to a job discrimination lawsuit, Jones said

The contract for the project mandated that applicants for the affordable homes earn no more than 120 percent of the area median income, according to standards set by the U.S. Department of Housing and Urban Development. Under those standards for 2004, a single person could make no more than $53,250.

Harris reported earning $67,555 in 2003, according to statements of economic interest on file with the San Diego City Clerk's Office. She reported $45,000 in income from SEDC and $22,555 from two other consulting jobs. Her 2004 filing doesn't contain specific income figures; she checked a box indicating that her annual income was between $10,001 and $100,000.

The San Diego Housing Commission allows the self-employed to subtract their business expenses from their gross income when qualifying for affordable housing, using instead the income reported on their tax returns. Harris declined to provide a copy of her tax return to *voiceofsandiego.org*. SEDC has the right to monitor an owner's income annually to ensure they still comply with the affordable housing income requirements, but officials said it doesn't perform the regular check-ups.

Harris refinanced her mortgage within the first year of buying the home, pulling out $80,000 in equity and taking on a $360,000 mortgage. She pulled $44,000 in equity out of the home again in March 2005, pushing her primary mortgage up to $404,000.

Many housing authorities restrict the refinancing of affordable homes -- allowing them to approve or deny attempted refinancing -- with the belief that public funds shouldn't be used to allow a homeowner to cash out large sums of equity. For instance, the San Diego Housing Commission must approve all refinancing of the affordable homes it oversees. It permits refinancing only when the cash pulled out does not exceed 10 percent of the principal loan balance and that the cash is used for home improvements.

SEDC officials said they are working on a policy to manage refinancing, but currently don't monitor it. Jones, the attorney, said they believe the Housing Commission's regulations are draconian.

Smith said she doesn't believe the agency should inhibit someone from refinancing their affordable home in order to put cash toward something such as putting homeowner's children through college. "That shouldn't inhibit them from doing that, but also we recognize that we want to retain the affordability of the unit, so that's really important to us, so we're working through that as we speak," she said.

Smith said SEDC does not screen the homebuyers chosen by its developers for the affordable units, a practice that other agencies employ.
"We don't look at that, we don't say anything about that," she said.
"[Harris] put her name in. She's one of the Southeastern residents. She lived in the area."

"She has every right and is encouraged to do so," she said. "We want professionals to be in this community."

The loan and housing agreement between the developer and the Redevelopment Agency, the umbrella organization that oversees SEDC, forbids agency employees from having a personal interest in its own projects.

Stern, who is president of the nonpartisan political-reform group Center for Governmental Studies in Los Angeles, said although consultants are not considered employees or members of agencies, the intent of the conflict code remains the same.

"Certainly the intent was there not to have any insider trading, or insider purchasing in a sense," he said. "There should have been a red flag raised."
Sam Hodgson contributed to this report.

Report: Developer 'Almost Cavalier' in Troubled Deal
By ANDREW DONOHUE Voice Staff Writer

Friday, May 4, 2007 | Housing developer Carter Reese & Associates appears to have breached the terms of its loan agreement with the city of San Diego in 2000 by failing to provide a required number of affordable homes, according to a report by the City Attorney's Office.

The report says the city agency handling the project, the Southeastern Economic Development Corp., also failed to hold the developer accountable by not enforcing the terms of the contract, which required the developer to place restrictions on the homes' deeds to ensure they stayed in the hands of low- and moderate-income residents for 10 years.

Additionally, the report found the appearance of favoritism in Carter Reese's awarding of an affordable unit in 2002 to an SEDC contractor, Angela Harris.

"There is no record that SEDC, the Developer, or the Housing Commission analyzed Ms. Harris' financial eligibility to purchase income restricted housing," the report states.

The city attorney report, however, said no evidence of intentional misconduct or misuse of public funds had been encountered based on the facts and circumstances reviewed to date. The report, released last week, was requested by two City Council members following an October investigation by *voiceofsandiego.org*, which found that the lines of SEDC's affordable housing program had been stretched, and at times crossed, by homeowners, Carter Reese and the contractor.

The investigation found that SEDC and the developer had failed to file the proper paperwork to empower the agency's monitoring of the homes, allowing them to be sold repeatedly for sizable profits in the midst of a sizzling housing market. If the paperwork had been filed, SEDC would've been able to ensure that any future buyers for the next 10 years qualified for low- and moderate-income housing.

The investigation also revealed that Carter Reese had been allowed to sell a number of homes for at least $10,000 more than was authorized by the City Council in the 2000 Village at Euclid development.

The city attorney's report, requested by Council members Tony Young and Donna Frye, noted that opportunities existed for both the developer and SEDC to rectify the affordable housing problems.

"Perhaps the most troubling aspect of the Village at Euclid is the fact that both the Developer and SEDC were aware of the recordation problem in July 2000," it states. The report says Carter Reese's mishandling of the documentation "appeared to be almost cavalier, with little real effort to remedy shortcomings, even after brought to the Developer's attention." The report points out that SEDC President Carolyn Smith recommended moving the agency's affordable housing oversight to the San Diego Housing Commission following the publication of the article.

"Although the proper recordation of restrictive documents and an impartial selection process for affordable home buyers are important fundamentals," the city attorney report states, "it would be an overstatement to conclude or imply that SEDC has failed in its overall goal of developing affordable housing in southeast San Diego, based on these particular errors."

The report also comes with a host of policy recommendations to prevent these troubles from recurring. They include:
* Requiring all affordable units to be sold through a lottery to avoid the possible appearance of impropriety. The Housing Commission already uses such a lottery.
* Strengthening agencies' position to guard public funds used in housing developments by allowing them to levy sanctions or penalties if a contract is breached.

"The Developers (sic) limited liability status has precluded subsequent enforcement on the contract, such as requiring Carter Reese to purchase a unit at market price (if and when one becomes available) and resell the unit at an affordable price with deed restrictions," the report states.

* Forcing any developer receiving public funds to maintain and disclose all records relating to the project for review by the city. The report found occasions in which it was impossible to come to a conclusion on an issue because of the lack of access or documentation.
* Requiring developers to retain knowledgeable and competent staff.

A young, inexperienced sales representative named Darryl Forte handled the closings in Village at Euclid and was apparently unaware of the documentation requirements, according to the report.

His supervisor, Percy Williams, had complaints filed against her in 1997, 1998 and 1999 with the Department of Real Estate for failing to adequately supervise her employees, the report states.

Both Smith and Harris, the consultant, have said Harris received no special treatment in the awarding of the affordable home. Attempts to reach SEDC and City Attorney Mike Aguirre to comment for this story were unsuccessful. Carter Reese declines to comment to *voiceofsandiego.org*.

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Memorandum

Date: June 11, 2007

To: Council President and Members of the City Council

From: Carolyn Y. Smith, President CYS

Subject: Response to Councilmember Donna Frye's Second Memorandum Dated May 22, 2007 – Issuance of SEDC's 2007 Tax Allocation Bonds

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This memorandum is in response to the second memorandum prepared by Councilmember Donna Frye dated May 22, 2007 regarding SEDC's proposed 2007 Tax Allocation Bond (TAB) Issuance. It should be noted that seven of the questions listed below were previously addressed in our memorandum dated May 24, 2007 to the City Council in response to Councilmember Frye's May 14, 2007 memorandum and have been repeated and updated as necessary in this response.

1. ***When was the last fiscal year that SEDC and the Redevelopment Agency had an audited financial report, and who issued the independent auditor's opinion?***

   SEDC's corporate audited financial report was issued for the fiscal years ended June 30, 2006 and 2005 and the independent auditor's opinion was issued by Macias Gini & O'Connell LLP (Macias) on August 28, 2006. For the fiscal years ended June 30, 2005 and 2004, the opinion was also issued by Macias dated October 28, 2005.

   Additionally, the audited financial reports for fiscal years ended June 30, 2004, as well as for the year ended June 30, 2003, were completed and the independent auditor's opinion were issued by Caporicci & Larson Certified Public Accountants.

   The Financial Results of all projects of the Redevelopment Agency of the City of San Diego, as a blended component unit of the City, are included in the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003, which was received and filed by the City Council on June 5, 2007. It is SEDC's understanding that Macias has been retained to perform an audit and render an opinion on the financial statements of the City for the fiscal years ended June 30, 2004 through June 30, 2007. Additionally, a separately audited Redevelopment Agency "stand alone" financial statement for the fiscal year ending June 30, 2003 has been completed by Macias, Gini & O'Connell llp, The opinion was issued on this audit on June 4, 2007 and we have been advised by the City Comptroller that the report will be provided to the City Council shortly.

2. ***Given the fact that there are no audited financial reports, what specific procedures were followed to ensure that the financial information is accurate and not misleading?***

The majority of the disclosure information contained in the Preliminary Official Statement is based on the Report of the Fiscal Consultant and is not of the type of financial information that is audited by an independent auditor. The following table is a list of the financial information and how it was obtained.

Financial Information	Procedures:
Amount of Mount Hope Bonds to remain Outstanding after issuance of 2007 Bonds	Following discussion with the members of the Financing Team, it was determined that the computed amounts would be basedRBC Dain Rauscher (Managing Underwriter) computed these amounts based on upon the refunded amount of what is expected to be refunded and how much principal has been paid off over the years, as indicated in Official Statements for the outstanding bonds
Table 1- Tax Increment Received to Date	Taken from Statement of Indebtedness filed for the 2006-07 fiscal year (required to be filed by Redevelopment Law). The Statement of Indebtedness was prepared signed by: Lawrence Tomanek, Assistant Auditor and Comptroller
Statutory Pass-Through Payment Amounts for Fiscal Year 2006-0607	Estimated by Fiscal Consultant based on Assessed Value (provided by the County) in Redevelopment Project Area and a statutory formula
Pass-Through Agreement payments	Estimated by Fiscal Consultant based on Assessed Value (provided by the County) in Redevelopment Project Area and formula set forth in appropriate agreement
Redevelopment Law Section 33676 Payments	Estimated by Fiscal Consultant based on 2005-06 amount provided by County, and increased by 2% projected growth each future year
Outstanding City Loan Amounts payable from tax increment generated by Southcrest, Central Imperial and Mount Hope Redevelopment Project Areas	City Auditor's officeRedevelopment Agency Accounting Section of the Comptroller's Office

3. ***What financial internal controls are in place at SEDC, the Redevelopment Agency, and the City of San Diego to ensure that the financial information being provided in the POS can be relied upon?***

At SEDC's corporate level, financial internal controls are in place and are reviewed and updated annually and in compliance with the independent auditors and the City Auditor & Comtproller's Office recommendations/requirements. However, this information is not necessary in connection with the offer and sale of the bonds. Please refer to our response to question number two (2) regarding the financial information reflected in the POS.

4. ***Much of the Information on page 6 of the POS (Certain Investigations Regarding the City) is outdated.***

This information has been updated in the current version of the POS that was delivered to the City Council the week of May 30th.

5. ***There are many blank pages and/or incomplete information on pages throughout the documents provided to the City Council for review. Please provide an explanation for all such pages and also when the missing information will be provided.***

Included in the 1472 for the Approval of the 2007 Tax Allocation Bond issuance provided to the City Council is an individual Log of Outstanding Items. The logs are inserted in front of each required document to be approved by the Agency and reflect the following information: Document Name; Page No.; Outstanding Items descriptions; Responsible Party; and Expected Availability.

6. ***Is the City Attorney's investigation of SEDC disclosed? What corrective actions has SEDC taken to ensure such problems do not occur in the future? Have the issues pointed out in the report been corrected?***

No. In response to the question raised by Mr. Levin during the meeting of the Disclosure Practice Working Group (DPWG) on April 26, 2007 regarding the disclosure of the City Attorney's investigation of SEDC, it was discussed and determined that the investigation and events described therein were not the type of information traditionally provided to potential investors. This determination was based upon the fact that the investigation found that SEDC had failed to comply with the City's affordable housing guidelines in only a few limited instances, and that the overall Redevelopment Agency affordable housing program required additional and better controls to eliminate the possibility of these situations occurring in the future. Moreover, one of the suggested controls has already been formally implemented by SEDC - the Housing Commission now monitors the Redevelopment Agency's compliance with the City's affordable housing guidelines.

Nothing in the investigation, or disclosed by the Independent Auditor's 2003 Report addressed to the Agency Board of Directors issued by Macias Gini & O'Connell LLP dated May 24, 2007, indicated that SEDC had any operational or other issues that would significantly impair its ability to effectively manage the overall development of its project areas. Likewise, the subject investigation did not suggest or raise any issues that may materially affect the generation of tax increment in the Redevelopment Project Areas. Since the continuing operation of SEDC and the Agency's ability to collect tax increment in the Redevelopment Project Areas was not determined to be a material risk to the bonds, the recommendation was to exclude any description of or reference to the investigation in the POS.

7. ***The IBA's Report Number 07-51 also indicates that the Redevelopment Agency met with Moody's Ratings recently, and expects to receive a rating by May 18, 2007. the City Council should have that information before voting on this bond issuance.***

This bond issuance has received AA insurance from Radian Asset Assurance, Inc. and a Baa2 rating from Moody's.

8. ***How much is the Southcrest Redevelopment Project Area proposing to borrow? How much is the Central Imperial Redevelopment Project Area proposing to borrow? How much is the Mount Hope Redevelopment Project Area proposing to borrow? Please include both principal and interest for each project area as well as the cost of issuing the bonds and funding the debt service reserve surety bonds for the Bonds.***

The schedule below summarizes our responses to your questions.

Amounts Proposing to be Borrowed by Project Area				
	Par *	Interest *	Total Debt Service *	Costs of Issuance * [1]
Southcrest	17,185,000	12,541,238	29,726,238	2,007,624
Central Imperial	14,925,000	14,267,122	29,192,122	1,651,705
Mount Hope	3,070,000	1,208,439	4,278,439	297,078

1) Costs of issuance include underwriter's discount, cash deposit to Debt Service Reserve Fund, and Agency legal, ratings, trustee, printing, and consulting fees.

Note: Surety bonds will not initially be used to satisfy the reserve requirement. The reserve requirement will be met using cash from bond proceeds. This amount is included in Costs of Issuance.

**Preliminary, subject to change. Based on interest rates as of 4/24/07*

9. ***Please indicate where in the documents Appendix A can be found?***

This information has been updated in the most recent version of the POS that is included as Attachment A to this document.

10. Please indicate where in the documents Appendices C, E and G can be found.

Appendix C, the summary of Indentures and the Loan Agreements, are typically prepared after an insurer is selected and closer to the mailing date of the POS. The material provisions of the Indentures and the Loan Agreements have been summarized in the forepart of the POS. Appendix E, Form of Bond Counsel Opinion, has been added to the POS. Appendix G cannot be added until an insurer is selected and provides SEDC with the proper form.

11. This information needs to be disclosed and should include SEDC's debt repayment schedule to the Redevelopment Agency as well as the funding source for the loan repayments. In Addition, please provide the loan repayment schedule for all debt owed to the City of San Diego by the Redevelopment Agency.

As of June 30, 2006, the total amount of debt SEDC owes to the City of San Diego is $71,698,973 which consists of $38,429,442 in principal and $33,269,531 of interest accrued. This information will be disclosed in the POS under the heading "Subordinate Obligations".

12. Please provide the amount of the SEDC operating subsidy that the Redevelopment Agency has provided since SEDC's inception. What is the amount of the SEDC operating subsidy in 2007 and the source of revenue for that subsidy? Also, please provide the amount of proposed SEDC operating subsidy that the Redevelopment Agency may provide for FY 2008, and the source of revenue.

In Mr. Greg Levin's memorandum dated November 21, 2006, in response to Councilmember Donna Frye's request, information was provided regarding the reimbursement payments received by SEDC for five (5) fiscal years (FY 2002 through FY 2006) totaling $7,776,400. This amount is consistent with the 5 –year financial records available and retained by SEDC.

Since 1992, SEDC has not received any operating subsidies from the City of San Diego. More correctly, SEDC receives monthly reimbursements (as opposed to "operating subsidies") from the Redevelopment Agency for administering redevelopment activities in the four project areas and one study area located within the SEDC's Sphere of Influence. These reimbursements are payment for services rendered by SEDC on the behalf of the Redevelopment Agency and are primarily funded by tax increment revenues generated by the four redevelopment project areas administered by SEDC. The approved administrative budget in FY 2007 for SEDC was $1,923,900 and $2,576,700 in FY 2008 which was approved by the Agency/City Council on May 15, 2007.

13. Does the operating subsidy require repayment to the source of the subsidy? If SEDC did not receive an Operating Subsidy, would this hinder in any way their ability to meet their loan repayment obligations to the Redevelopment Agency?

No, the reimbursement payments (as noted and described above) do not require repayment. It should be noted that any debt incurred as a consequence of SEDC performing its redevelopment obligations on the behalf of the Redevelopment Agency is a debt of the Redevelopment Agency and not SEDC.

14. Should the Redevelopment Agency's financial statement and the total current Agency debt be disclosed in the POS?

The Bonds are payable from tax increment, which is calculated based on the assessed values of the various Redevelopment Project Areas. Purchasers of the bonds will be evaluating the credit strength of the bonds based on the historical and projected assessed value of the redevelopment project areas, and not the general financial statements of the Agency. The critical information is in the Fiscal Consultant's Report. Further all debt payable from the respective Project Areas is described in the POS. The Agency's financial statements include information that is not traditionally included in the POS with these types of financing. For purposes of consistency, this information was purposely excluded.

15. Was anyone retained to independently verify either the factual or financial information contained in the POS? If so, who performed the independent verification and when?

No independent verification was undertaken. However, the customary bond team consisting of: SEDC, the City Attorney's Office, Special Agency Counsel, the Financing Services department, the Financial Advisor, the Underwriters, Bond Counsel, Disclosure Counsel, and the Fiscal Consultant were all involved with the review of both the factual and financial information provided in the POS. In addition, much of the information contained in the POS was obtained from source information believed to be reliable, including the assessed valuation data that the Fiscal Consultant obtained from the County. Summaries of the Redevelopment Plans and the legal documents were based directly on information contained in such documents. The source of information for all tables is indicated in the POS.

16. Should the Tax Revenues already received be identified and deducted from the total Tax Revenue remaining for each Project Area (in order to determine the amount of Tax Increment Revenue that could be used for new debt to make the loan repayments to the Redevelopment Agency)?

The tax increment already received for each Redevelopment Project Area is listed in Table 1 under "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES - Plan Limitations".

17. ***Please provide a description and examples of the type of debt to which this paragraph is referring. For example, would Redevelopment Agency debt from City of San Diego loans meet these criteria? The paragraph also refers to debt from the Housing Fund. What is this?***

California Community Redevelopment Law requires 20% of the tax increment generated by a redevelopment project area to be deposited in the Agency's Housing Fund. Money in the Housing Fund may only be used for the preservation, maintenance, improvement and development of affordable housing. The Agency may incur debt and collect tax increment after the limitations set forth in the Redevelopment Plan if the Agency has not complied with certain affordable housing benchmarks.

18. ***How much is that loan (principal and interest) and how much tax increment revenue has been secured to pay the bonded indebtedness?***

Please note the schedule which summarizes our responses to your questions.

Southcrest Bonded Indebtedness			
		Par Amount *	
Existing Bonds			
Series 1995		2,385,000	*- to be refunded by 2007 Bonds*
Series 2000		1,620,000	*- to be refunded by 2007 Bonds*
	Subtotal:	*4,005,000*	
2007 Bonds			
Series 1995 Refunding		2,505,000	
Series 2000 Refunding		1,790,000	
New Money		12,890,000	
	Subtotal:	*17,185,000*	

- All outstanding debt in Southcrest will be refunded by the Series 2007 Bonds.
- The only debt outstanding in the Southcrest Project Area after the issuance of the Series 2007 Bonds will be $17,185,000 par amount of the Series 2007 Bonds.
- The average annual debt service (including principal and interest) on the Southcrest 2007 Bonds is $1,143,317, which represents approximately 70% of 2006-07 tax increment (after payment to taxing entities).

*Preliminary, subject to change. Based on interest rates as of 4/24/07.

19. ***Please provide the page number in the POS for that Plan of Finance.***

The Plan of Finance section is on page 3 of the copy of the POS which has been attached to this memorandum.

20. ***How much is the loan (principal and interest) and how much tax increment revenue has been secured to pay the bonded indebtedness?***

SEDC's response to this question is summarized in the table below.

Central Imperial Bonded Indebtedness			
		Par Amount *	
Existing Bonds			
Series 2000		3,100,000	*- to be refunded by 2007 Bonds*
	Subtotal:	*3,100,000*	
2007 Bonds			
Series 2000 Refunding		3,460,000	
New Money		11,465,000	
	Subtotal:	*14,925,000*	

- All outstanding debt in Central Imperial will be refunded by the Series 2007 Bonds.
- The only debt outstanding in Central Imperial after the issuance of the Series 2007 Bonds will be $14,925,000 par amount of the Series 2007 Bonds.
- The average annual debt service (including principal and interest) on the Central Imperial 2007 Bonds is $941,681, which represents approximately 55% of 2006-07 tax increment (after payment to taxing entities).

*Preliminary, subject to change. Based on interest rates as of 4/24/07.

21. ***Please provide the page number in the POS for that Plan of Finance.***

The Plan of Finance section is on page 3 of the clean copy of the POS.

22. ***Should there be a plan of finance for Mount Hope included in the POS?***

There is a Plan of Finance description for Mount Hope on page 3 of the POS. A cross reference to the "Plan of Finance" section has been added to the Outstanding Debt description for Mount Hope.

23. ***Please explain why the information provided in the Loan Agreement is different than the information provided in the POS? Has some of the debt been repaid?***

The following schedule summarizes SEDC's responses to your questions.

Central Imperial Bonded Indebtedness		
	Par Amount *	
Existing Bonds		
Series 1995A	840,000	- *will remain outstanding*
Series 1995B	3,085,000	- *to be refunded by 2007 Bonds*
Series 2002A	3,055,000	- *will remain outstanding*
Subtotal:	*6,980,000*	
2007 Bonds		
Series 1995A	840,000	
Series 2002A	3,055,000	
Series 1995B Refunding	3,070,000	
Subtotal:	*6,965,000*	

- The Mount Hope Series 1995B Bonds will be refunded by the Series 2007 Bonds.
- The total debt outstanding in Mount Hope after the issuance of the Series 2007 Bonds will be $6,965,000 par amount of the Series 1995A, 2002A, and 2007 Bonds.
- The average annual debt service (including principal and interest) on the Mount Hope 1995A, 2002A, and 2007 Bonds is $564,849, which represents approximately 44% of 2006-07 tax increment (after payment to taxing entities).
- Par amounts listed in the POS are lower than those listed in the Loan Agreements due to repayment of principal over the years.

*Preliminary, subject to change. Based on interest rates as of 4/24/07.

24. ***Would the debt owed to the Redevelopment Agency reduce the maximum amount of Tax Revenues that could be used by the Southcrest, Central Imperial or Mount Hope Project Areas to pay for new debt service? How is the debt to the Redevelopment Agency accounted for in SEDC's financial disclosures in the POS, and where is it shown?***

To clarify, the loans are between the Agency and the City and are payable from tax increment generated from the Project Areas administered by SEDC. To the extent this debt is paid from tax increment, the amount would count against the tax increment limitation for such Project Area. The debt to the City is described under "Outstanding Debt" in the description of each Project Area.

25. ***Is there any other debt that is owed by the SEDC Project Areas to the Redevelopment Agency or anyone else that is not disclosed and/or that may affect the Redevelopment Agency's ability to pay back the debt it owes to the PFFA, the City or anyone else?***

There are contracts listed in the Statement of Indebtedness for various services. The amount actually paid to the service provider may be less than the amount listed on the Statement of

Indebtedness depending on the degree to which the service provider was used. For the 2006-07, the amount of contracts is $35,623 for Southcrest, $24,257 for Mount Hope and $413,946 for Central Imperial. The Central Imperial figure includes $97,566 for legal services, $64,168 for Planning and Design, $53,395 for Project Improvements and $195,375 for mitigation payments. These amounts are described under "Outstanding Debt" in the description of each Project Area, and are not expected to impact the Agency's ability to repay its debts.

26. ***In order to determine if the Debt Limit has been exceeded, would that amount be subtracted from the Debt Limit amount? Is this correct and has the Mount Hope Project Area exceeded their Debt Limit?***

The Debt Limitation in the Redevelopment Plans only limits the amount of bonded indebtedness that can be outstanding at any one time. The loans from the City to the Agency are not included in this limitation. Also, any debt that is repaid does not count against the limit (i.e. if there is a $100 limit, $60 in bonds are outstanding and $40 is paid off, then Agency may borrow up to $80 million). None of the Project Areas will exceed their bonded indebtedness limit as a result of the issuance of the Bonds.

27. ***Would the existing debt combined with the new debt cause the Debt Limit to be exceeded or does the Debt Limit amount that is shown include existing and/or new debt? If not, is it legal and shouldn't it be disclosed in the POS?***

Please see Response No. 26.

28. ***Would the existing debt combined with the new debt cause the Debt Limit to be exceeded or does the Debt Limit amount that is shown include existing and/or new debt? If not, is it legal and shouldn't it be disclosed in the POS?***

Please see Response No. 26.

CYS:kk

c: Mayor Jerry Sanders
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
Chief Financial Officer, Jay Goldstone

COUNCILMEMBER DONNA FRYE
City of San Diego
Sixth District

MEMORANDUM

DATE: **July 9, 2007**

TO: **Mayor Jerry Sanders**
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
City Auditor/COO/CFO, Jay Goldstone
SEDC President, Carolyn Smith

FROM: **Councilmember Donna Frye** Donna Frye

SUBJECT: **July 3, 2007 Memorandum from Carolyn Smith regarding the 2007 SEDC Tax Allocation Bonds**

On July 3, 2007, my office received a memorandum from Carolyn Smith, President of SEDC, regarding the 2007 Official Statement for the Bond Issuance. The following questions/issues remain to be answered.

1. Please provide a copy of the legal documentation/opinion citing the specific statutes that support SEDC's contention that the debt limit for each project area need not include:
   a.) The debt (including interest that will accrue) owed to the City of San Diego
   b.) The interest on the bonds

2. On page 29 of the Official Statement, Table 1, the fourth column is titled ***Tax Increment Revenue Limit***. For each project area within SEDC, please provide a list of all current debt types and amounts that would be counted against the Tax Increment Revenue Limit.

3. SEDC has outstanding debt that it owes to the Redevelopment Agency. The Redevelopment Agency is required to repay that debt to the City of San Diego (both principal and interest). According to the most current information available as of June 30, 2006, in the SEDC Administered Project Areas there is currently $71, 698,972 in debt owed by SEDC to the Redevelopment Agency. Please provide a copy of the loan repayment schedule for all SEDC Project Areas' debt owed to the City of San Diego by the Redevelopment Agency, the percent of interest and the funding source for that debt.

4. The debt owed to the city by the Redevelopment Agency on behalf of SEDC is accruing interest and that should be disclosed in the Official Statement for each SEDC Project Area, under the heading "Outstanding Debt."

CC: Honorable City Councilmembers
Independent Budget Analyst, Andrea Tevlin

Southeastern Economic Development Corporation

T 619.527.7345
F 619.262.9845
www.sedcinc.com

Via E-Mail and Hand Delivery

Memorandum

Date: July 9, 2007

To: Council President and Members of the San Diego City Council

From: Carolyn Y. Smith, President

Subject: ***Response to the July 9, 2007 Memorandum from Councilmember Donna Fye, Regarding the 2007 Tax Allocation Bonds***

The following is the response to the questions submitted in a memorandum prepared by Councilmember Donna Frye dated and received on July 9, 2007

1. *Please provide a copy of the legal documentation/opinion citing the specific statutes that support SEDC's contention that the debt limit for each project area need not include:*
   a. *The debt (including interest that will accrue) owed to the city of San Diego*
   b. *The interest on the bonds*

   Attached to this memorandum is a copy of the response to this question prepared by Carl Robinson, Bond Counsel and submitted to Councilmember Frye via e-mail on June 14, 2007 (Attachment No. 1).

2. *On page 29 of the Official Statement, Table 1, the fourth column is titled Tax Increment Revenue Limit. For each project area within SEDC, please provide a list of all current debt types and amounts that would be counted against the Tax Increment Limit.*

   For the purpose of disclosing the **Outstanding Bonded Indebtedness**, on page 29 of the Official Statement (OS), Table 1, under the third column, the amounts of outstanding bonded indebtedness have been listed by project area. Attached is a copy of the Statement of Indebtedness (Attachment No. 2) as of fiscal year ending 2006-2007 tax year. This document was prepared by the City Auditor and lists the bonded indebtedness and the subordinate indebtedness for the subject project areas.

3. *SEDC has outstanding debt that it owes to the Redevelopment Agency. The Redevelopment Agency is required to repay that debt to the City of San Diego (both principal and interest). According to the most current information available as of June 30, 2006, in the SEDC Administered Project Areas there is current $71,698,972 in debt owed by SEDC to the Redevelopment Agency. Please provide a copy of the loan repayment schedule for all*

SEDC Project Areas' debt owed to the City of San Diego by the Redevelopment Agency, the percent of interest and the funding sources for that debt.

As previously addressed in our June 11, 2007 memorandum responding to Councilmember Frye's May 22, 2007 memorandum, any debt incurred as a consequence of SEDC performing its redevelopment obligations on the behalf of the Redevelopment Agency is a debt of the Redevelopment Agency and not SEDC. Since this type of debt is subordinate to the bonded indebtedness, and per resolutions approving the indebtedness, the debt is payable (from the tax increment) accrued in the adopted project areas as soon as it is practical. A loan repayment schedule has not been required by the City/Agency. The City Auditor, however, has prepared schedules of outstanding debt which includes the interest rates which SEDC will forward to you under separate cover.

4. ***The debt owed to the city by the Redevelopment Agency on behalf of SEDC is accruing interest and that should be disclosed in the Official Statement for each SEDC Project Area, under the heading "Outstanding Debt."***

The debt owed to the City is described as "long-term loans" under "Outstanding Indebtedness" for each Redevelopment Project Area. Since this debt is subordinate to the bonds, and the general assumption for a "loan" is that it would be interest bearing, we do not believe it is material to modify the Official Statement to indicate that the City loans are accruing interest.

CYS:kk

Attachments: No. 1 Carl Robinson Memorandum Dated June 14, 2007
No. 2 Statement of Indebtedness – Central Imperial, Mount Hope and Southcrest)

c: Mayor Jerry Sanders w/attachments
Michael Aguirre, City Attorney w/attachments
Mark D. Blake, Deputy Attorney for Disclosure w/attachments
Jay Goldstone, Chief Financial Officer w/attachments

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2170 El Camino Real, Second Floor
Oceanside, California 92054

File No.S401.016

June 14, 2007

BY EMAIL ONLY
Honorable City Council
City of San Diego
202 C Street
San Diego, CA 92101
Attn: Councilmember Donna Frye

Limitation on Bonded Indebtedness; City Loans
SEDC Financing Transaction

Ladies and Gentlemen:

I attended the meetings on June 12, 2007 of the City Council and of the Board of the Redevelopment Agency of the City of San Diego (the "Agency") as Bond Counsel for the proposed sale by the Public Facilities Financing Authority of the City of San Diego of two series of Pooled Financing Bonds (the "Bonds") for the benefit of the Agency's Southcrest, Central Imperial and Mount Hope Redevelopment Project areas (the "Project Areas"). During the meetings, Councilmember Frye requested that I provide her with the basis of my statement made during the Board meeting that the "Debt Limit" appearing in Table 1 of the draft Preliminary Official Statement ("POS") referred to a ***limitation on bonded indebtedness*** outstanding at any one time rather than a limitation on general indebtedness. My statement was based on my recollection of the redevelopment plans for the Project Areas and on my recollection of and understanding of redevelopment law. Redevelopment law is generally set out in the California Health and Safety Code (Sections 33000 et seq.).

Section 620.6 of the Redevelopment Plan for the Southcrest Project Area states in full: "The amount of ***bonded indebtedness*** to be repaid in whole or in part from taxes allocated to the Agency pursuant to Section 610.2, which can be outstanding at one time shall not exceed $26.1 million [emphasis added]." A similar provision appears as Section 620.6 of the Mount Hope Redevelopment Plan. The Central Imperial Redevelopment Plan has a similar limitation (each setting different dollar limits). Those provisions satisfy the requirements of Section 33334.1 of the California Health and Safety Code which states [concerning redevelopment plans] as follows: "If the plan authorizes the issuance of bonds to be repaid in whole or in part from the allocation of taxes pursuant to Section 33670, the plan shall establish a limit on the amount of bonded indebtedness which can be outstanding at one time without an amendment of the plan...."

In listening to Councilmember Frye's questions to Mr. Blake during the meeting, I noticed that the caption for the "limit on bonded indebtedness outstanding at one time.." had been shortened in the POS to "Debt Limit", presumably to better fit the space available in Table 1. I suggested to Disclosure Counsel that a longer caption (or a footnote) on that table might be helpful and then made my statement in response to Councilmember Frye's questions.

I was asked whether interest payable on bonded indebtedness should be counted under the limit on bonded indebtedness outstanding at one time. Interest on bonds payable on a regular schedule (sometime referred to as current interest) is normally not considered *outstanding* unless overdue; said differently, if current interest is regularly paid on time (here April 1 and October 1) such interest is not considered *outstanding* for this purpose. The primary reason is that if the principal amount of the bonds is paid in full, no future interest will be due or payable. Note that (1) if the Agency defaults on the scheduled payment of interest on bonded indebtedness or (2) if interest is accumulated or accreted on bonded indebtedness and not paid (zero coupon bonds or capital appreciation bonds), a different answer might result, but neither of those situations (a default or a zero coupon bond) is anticipated in this case. A technical argument might be made that up to six months of interest of the Bonds could count against the cap in our case. Bond lawyers drafting a bonded indebtedness limit generally take care to draft the cap as a limit on ***the principal amount*** of bonded indebtedness outstanding to eliminate the possibility that some court could decide to count any interest (much less current interest) as included under the cap. In this case, the Agency has enough room remaining under the cap to accommodate an unexpected ruling (under the imperfect language of the Section 33334.1) that up to six months of interest on this bonded indebtedness might be viewed as outstanding.

There are a number of loans from the City to the Agency (the "City Loans") payable from the Project Areas on a basis subordinate to the Agency's bonded indebtedness. I was asked whether the City Loans should count against the limit on bonded indebtedness discussed above. I do not and have not viewed such related party internal debt as *bonded indebtedness* under the provisions discussed above and I am not aware of other firms or entities who take a contrary view. The City Loans are certainly indebtedness and my understanding is that they are listed on the Agency's Statement of Indebtedness and in the Agency's financial statements. Redevelopment law places a number of limitations on the incurrence of and payment of indebtedness (See Heath and Safety Code Sections 33333.2 and 33333.4, for examples), and the City Loans count as indebtedness for many purposes. Both redevelopment law and redevelopment plans use "indebtedness" and "bonded indebtedness" in separate and ***not* interchangeable** manners. I believe that those words are intended to mean different things.

I have attached to this letter a short unsourced commentary on "City Loans" which you may find useful. I appreciate having the opportunity to be of service to the Agency and the City.

Very truly yours,

/s/ Carl Robinson

Carl C. Robinson

CCR SEDC016:Frye Ltr:061407

STATEMENT OF INDEBTEDNESS - CONSOLIDATED
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: CENTRAL IMPERIAL

Balances Carried Forward From:		Line	Current Total Outstanding Debt	Current Principal/Interest Due During Tax Year
Fiscal Period - Totals	(From Form A, Page 1 Totals)	(1)	32,886,228	29,987,898
(Optional) **Post Fiscal Period - Totals**	(From Form B Totals)	(2)	0	0
Grand Totals		(3)	32,886,228	29,987,898
Available Revenues From Calculation of Available Revenues, Line 7		(4)	521,175	
Net Requirement		(5)	32,365,053	

Consolidate on this form all of the data contained on Form A and B (including supplemental pages). Form A is to include all indebtedness entered into as of June 30 of the Fiscal Year. Form B may be filed at the option of the agency, and is to include indebtedness entered into post June 30 of the Fiscal Year, pursuant to Health and Safety Code Section 33675(c)(2). This is optional for each agency and is not a requirement for filing the Statement of Indebtedness. The Reconciliation Statement is to include indebtedness from Form A only.

Certification of Chief Financial Officer:
Pursuant to Section 33675 (b) of the Health and Safety Code, I hereby certify that the above is a true and accurate Statement of Indebtedness for the above named agency.

Lawrence Tomanek, Assistant Auditor and Comptroller
Name

Signature

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area CENTRAL IMPERIAL

For Indebtedness Entered into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) CITY LOAN	06/30/05	18,066,152	N/A	6.00%	8,605,674	29,312,282	29,312,282
(B) AGREEMENT WITH CITY OF SAN DIEGO	06/30/05	172,132	N/A	N/A	0	0	0
(C) CONTRACTS - OTHER ADMINISTRATIVE	06/30/05	18,796	N/A	N/A	0	0	0
(D) OPERATING AGREEMENT WITH SEDC	06/30/05	1,031,809	N/A	N/A	0	0	0
(E) SERIES 2000 BONDS	05/01/00	3,395,000	30	4.45% - 6.60%	4,399,473	3,160,000	261,670
(F) CONTRACTS - LEGAL SERVICES	07/01/02	2,200	N/A	N/A	0	97,566	97,566
(G) CONTRACTS - PLANNING AND DESIGN	07/01/02	77,475	N/A	N/A	0	64,168	64,168
(H) CONTRACTS - PROPERTY MANAGEMENT	07/01/02	94,994	N/A	N/A	0	3,443	3,443
(I) CONTRACTS - PROJECT IMPROVEMENTS	07/01/02	398,109	N/A	N/A	0	53,395	53,395
(J) CONTRACTS -PROGRAM MANAGEMENT	07/01/03	46,915	N/A	N/A	0	0	0
Sub Total, This Page						32,690,853	29,792,523
Total Forward From All Other Pages						195,375	195,375
Totals, Fiscal Year Indebtedness						32,886,228	29,987,898

Purpose of Indebtedness:

(A) CENTRAL IMPERIAL REDEVELOPMENT PROJECT
(B) CITY OF SAN DIEGO ADMINISTRATIVE SERVICES
(C) OTHER ADMINISTRATIVE SERVICES FOR PROJECT AREA
(D) SEDC ADMINISTRATIVE SERVICES
(E) TAX ALLOCATION BONDS ISSUED FOR PROJECT AREA
(F) LEGAL SERVICES FOR PROJECT AREA
(G) PLANNING AND DESIGN SERVICES FOR PROJECT AREA
(H) PROPERTY MANAGEMENT FOR PROJECT AREA
(I) PROJECT IMPROVEMENTS FOR PROJECT AREA
(J) PROGRAM MANAGEMENT

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area CENTRAL IMPERIAL

For Indebtedness Entered into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) MITIGATION PAYMENTS	06/30/05	191,250	N/A	N/A	0	195,375	195,375
(B) LOW/MOD HOUSING SET-ASIDE	07/01/03	232,845	N/A	N/A	0	0	0
(C) COUNTY ADMINISTRATION FEE	07/01/03	11,370	N/A	N/A	0	0	0
(D) TAXING AGENCIES	07/01/03	17,378	N/A	N/A	0	0	0
(E) ERAF PAYMENTS	07/01/03	10,000	N/A	N/A	0	0	0
Total This Page						195,375	195,375

Purpose of Indebtedness:
(A) MITIGATION PAYMENTS OBLIGATION
(B) LOW/MOD HOUSING SET ASIDE NET OF COUNTY ADMIN FEES
(C) COUNTY ADMINISTRATION FEES
(D) TAXING AGENCY PAYMENTS
(E) STATE EDUCATIONAL REVENUE AUGMENTATION FUND PAYMENTS
(F)
(G)
(H)
(I)
(J)
(K)
(L)

Form B
(Optional)

STATEMENT OF INDEBTEDNESS - POST FISCAL YEAR INDEBTEDNESS ONLY
FILED FOR THE 2006-2007 TAX YEAR

To be used only if the agency wishes to include indebtedness entered into after June 30

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: CENTRAL IMPERIAL

For Indebtedness Entered Into as of June 30, 2006

Debt Identification	Original Data					Current	
	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A)						-	-
(B)							
(C)							
(D)							
(E)							
(F)							
(G)							
(H)							
(I)							
(J)							
(K)							
(L)							
Totals, Post Fiscal Year Indebtedness						-	-

Purpose of Indebtedness:

(A) ______ (G) ______
(B) ______ (H) ______
(C) ______ (I) ______
(D) ______ (J) ______
(E) ______ (K) ______
(F) ______ (L) ______

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area CENTRAL IMPERIAL

Tax Year 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

Debt Identification: SOI, page and line: Prior Yr	Current Yr	Brief Description	A Outstanding Debt All Beginning Indebtedness	B Adjustments Increases (Attach Explanation)	C Adjustments Decreases (Attach Explanation)	D Amounts Paid Against Indebtedness, from: Tax Increment	E Amounts Paid Against Indebtedness, from: Other Funds	F Remaining Balance (A+B-C-D-E)
Pg 1 Line A	Pg 1 Line A	CITY LOAN	26,671,826	2,640,456	0	0	0	29,312,282
Pg 1 Line B	Pg 1 Line B	AGREEMENT WITH CITY OF SAN DIEGO	0	122,287	0	110,997	11,290	0
Pg 1 Line C	Pg 1 Line C	CONTRACTS - OTHER ADMINISTRATIVE	0	75,507	0	41,905	33,602	0
Pg 1 Line D	Pg 1 Line D	OPERATING AGREEMENT WITH SEDC	0	1,412,587	0	610,290	802,297	0
Pg 1 Line E	Pg 1 Line E	SERIES 2000 BONDS	3,210,000	204,985	0	197,327	57,658	3,160,000
Pg 1 Line F	Pg 1 Line F	CONTRACTS - LEGAL SERVICES	13,363	211,770	0	(9,543)	137,110	97,566
Pg 1 Line G	Pg 1 Line G	CONTRACTS - PLANNING AND DESIGN	156,225	40,544	0	70,037	62,564	64,168
Pg 1 Line H	Pg 1 Line H	CONTRACTS - PROPERTY MANAGEMENT	0	32,084	0	24,366	4,275	3,443
Pg 1 Line I	Pg 1 Line I	CONTRACTS - PROJECT IMPROVEMENTS	74,556	0	13,257	0	7,904	53,395
Pg 2 Line A	Pg 1 Line J	CONTRACTS - PROGRAM MANAGEMENT	0	66,142	0	45,820	20,322	0
TOTAL THIS PAGE			30,125,970	4,805,362	13,257	1,091,200	1,137,022	32,690,853
TOTALS FORWARD			0	992,631	0	797,256	0	195,375
GRAND TOTALS			30,125,970	5,798,993	13,257	1,888,456	1,137,022	32,886,228

NOTE: This form is to reconcile the previous Statement of Indebtedness to the current one being filed. However, since the reconciliation period is limited by law to a July 1 - June 30 fiscal year period, only those items included on the SOI Form A is to be included on this document. To assist in following each item of indebtedness from one SOI to the next, use page and line number references from each SOI that the item of indebtedness is listed on. If the indebtedness is new to this fiscal year, enter "new" in the "Prior Yr" page and line columns. Column F must equal the current SOI, Form A Total Outstanding Debt column.

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: CENTRAL IMPERIAL

Tax Year: 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

Debt Identification: SOI, page and line: Prior Yr	Current Yr	Brief Description	A Outstanding Debt All Beginning Indebtedness	B Adjustments: Increases (Attach Explanation)	C Adjustments: Decreases (Attach Explanation)	D Amounts Paid Against Indebtedness, from: Tax Increment	E Amounts Paid Against Indebtedness, from: Other Funds	F Remaining Balance (A+B-C-D-E)
Pg 2 Line B	Pg 2 Line A	MITIGATION PAYMENTS	0	195,375	0	0	0	195,375
Pg 2 Line C	Pg 2 Line B	LOW/MOD HOUSING SET-A-SIDE*	0	382,380	0	382,380	0	0
Pg 2 Line D	Pg 2 Line C	COUNTY ADMINISTRATION FEE	0	17,589	0	17,589	0	0
Pg 2 Line E	Pg 2 Line D	TAXING AGENCIES	0	305,554	0	305,554		0
Pg 2 Line F	Pg 2 Line E	ERAF PAYMENTS	0	91,733	0	91,733	0	0
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
TOTAL-THIS PAGE			0	992,631	0	797,256	0	195,375

* Excludes Low/Mod portion of County Administration Fee of $3,517.79

CALCULATION OF AVAILABLE REVENUES

AGENCY NAME REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

PROJECT AREA CENTRAL IMPERIAL

TAX YEAR 2006-2007

Reconciliation Dates: July 1, 2004 To June 30, 2005

1. Beginning Balance, Available Revenues (See instructions)	$455,926
2. Tax Increment Received - Gross All Tax Increment Revenues, to include any Tax Increment passed through to other local taxing agencies.	1,929,488
3. All other Available Revenues Received (See instructions)	24,215
4. Revenues from any other source, included in Column E of the Reconciliation Statement, but not included in (1-3) above-	1,137,022
5. Sum of Lines 1 through 4	3,546,653
6. Total amounts paid against indebtedness in previous year. (D + E on Reconciliation Statement)	3,025,478
7. Available Revenues, End of Year (5-6) FORWARD THIS AMOUNT TO STATEMENT OF INDEBTEDNESS, COVER PAGE, LINE 4	$521,175

NOTES

Tax Increment Revenues:

The only amount(s) to be excluded as Tax Increment Revenue are any amounts passed through to other local taxing agencies pursuant to Health and Safety Code Section 33676. Tax Increment Revenue set-aside in the Low and Moderate Income Housing Fund will be washed in the above calculation, and therefor omitted from Available Revenues as year end.

Item 4. above:

This represents any payments from any source other than Tax Increment OR available revenues. For instance, a agency funds a project with a bond issue. The previous SOI included a Disposition Development Agreement (DDA) which was fully satisfied with these bond proceeds. The DDA would be shown on the Reconciliation Statement as fully repaid under the "other" column (Col E), but with funds that were neither Tax Increment, nor "Available Revenues" as defined. The amounts used to satisfy this DDA would be included on line 4 above in order to accurately determine ending "Available Revenues".

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

CENTRAL IMPERIAL

Page	Line		
		$ 750,226	Additional Principal
		1,890,230	Additional Interest
1	A	$ 2,640,456	Increase in City Loans
1	B	122,287	Agreement with the City of San Diego
1	C	75,507	Contracts - Other Administrative
1	D	1,412,587	SEDC Administration
1	E	204,985	Series 2000 Bonds Interest
1	F	211,770	Increase in Contracts for Legal Services
1	G	40,544	Increase in Contracts for Planning and Design
1	H	32,084	Increase in Property Management Contracts
1	I	(13,257)	Decrease in Project Improvement Contracts
1	J	66,142	Increase in Program Management Contracts
2	A	195,375	Increase in Mitigation Payment Obligation
2	B	382,380	Increase in Low/Mod Housing Set-Aside
2	C	17,589	Increase in County Administrative Fees
2	D	305,554	Increase in Payments to Taxing Agencies
2	E	91,733	Increase in ERAF Payments made to State of California
		$ 5,785,736	Net increase in debt

Cover Page

STATEMENT OF INDEBTEDNESS - CONSOLIDATED
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area MOUNT HOPE

Balances Carried Forward From:		Line	Current Total Outstanding Debt	Current Principal/Interest Due During Tax Year
Fiscal Period - Totals	(From Form A, Page 1 Totals)	(1)	10,213,407	4,995,041
(Optional) **Post Fiscal Period - Totals**	(From Form B Totals)	(2)	0	0
Grand Totals		(3)	10,213,407	4,995,041
Available Revenues From Calculation of Available Revenues, Line 7		(4)	806,450	
Net Requirement		(5)	9,406,957	

Consolidate on this form all of the data contained on Form A and B (including supplemental pages). Form A is to include all indebtedness entered into as of June 30 of the Fiscal Year. Form B may be filed at the option of the agency, and is to include indebtedness entered into post June 30 of the Fiscal Year, pursuant to Health and Safety Code Section 33675(c)(2). This is optional for each agency and is not a requirement for filing the Statement of Indebtedness. The Reconciliation Statement is to include indebtedness from Form A only.

Certification of Chief Financial Officer:
Pursuant to Section 33675 (b) of the Health and Safety Code, I hereby certify that the above is a true and accurate Statement of Indebtedness for the above named agency.

Lawrence Tomanek, Assistant Auditor and Comptroller
Name

Signature

Rev. 6/3/94

Attachment No. 2

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Form A

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: MOUNT HOPE

For Indebtedness Entered into as of June 30, 2006

Debt Identification	Original Data					Current	
	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) CITY LOAN	As of 06/30/05	3,918,314	N/A	6.00%	477,431	4,481,150	4,481,150
(B) AGREEMENT WITH CITY OF SAN DIEGO	As of 06/30/05	51,587	N/A	N/A	0	0	0
(C) CONTRACTS - OTHER ADMINISTRATION	06/30/05	15,660	N/A	N/A	0	0	0
(D) SEDC ADMINISTRATION	06/30/05	156,673	N/A	N/A	0	0	0
(E) SERIES 1995 BONDS	06/01/95	5,155,000	25	4.4-8.20%	6,636,862	3,264,000	367,434
(F) SERIES 2002 BONDS	07/01/02	3,055,000	25	5.0%	3,324,997	2,444,000	122,200
(G) CONTRACTS - LEGAL SERVICES	07/01/03	10,706	N/A	N/A	0	6,620	6,620
(H) CONTRACTS - PLANNING AND DESIGN	07/01/03	31,157	N/A	N/A	0	14,109	14,109
(I) CONTRACTS - PROPERTY MANAGEMENT	06/30/05	7,585	N/A	N/A	0	0	0
(J) CONTRACTS - PROJECT IMPROVEMENT	06/30/05	5,000	N/A	N/A	0	3,528	3,528
Sub Total, This Page						10,213,407	4,995,041
Total Forward From All Other Pages						0	0
Totals, Fiscal Year Indebtedness						10,213,407	4,995,041

Purpose of Indebtedness:

(A) MOUNT HOPE REDEVELOPMENT PROJECT AREA
(B) CITY OF SAN DIEGO ADMINISTRATIVE SERVICES
(C) OTHER ADMINISTRATIVE FEES FOR PROJECT AREA
(D) SEDC ADMINISTRATION
(E) SERIES 1995 BONDS FOR PROJECT AREA
(F) SERIES 2002 BONDS FOR PROJECT AREA
(G) LEGAL SERVICES FOR PROJECT AREA
(H) PLANNING AND DESIGN SERVICES FOR PROJECT AREA
(I) PROPERTY MANAGEMENT FOR PROJECT AREA
(J) PROJECT IMPROVEMENTS FOR PROJECT AREA

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: MOUNT HOPE

For Indebtedness Entered into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) BOND SALE EXPENSE	06/30/05	8,999	N/A	N/A	0	0	0
(B) CONTRACTS - PROGRAM MANAGEMENT	06/30/05	9,890	N/A	N/A	0	0	0
(C) LOW/MOD HOUSING SET-ASIDE	06/30/05	231,199	N/A	N/A	0	0	0
(D) COUNTY ADMINISTRATION FEE	06/30/05	8,818	N/A	N/A	0	0	0
(E) ERAF PAYMENT	06/30/05	95,000	N/A	N/A	0	0	0
Total This Page						0	0

Purpose of Indebtedness:

(A) BOND SALE EXPENSE
(B) PROGRAM MANAGEMENT FOR PROJECT AREA
(C) LOW/MOD HOUSING SET-ASIDE NET OF COUNTY ADMIN FEES
(D) COUNTY ADMINISTRATIVE FEES
(E) STATE EDUCATIONAL REVENUE AUGMENTATION FUND PAYMENTS
(F)
(G)
(H)
(I)
(J)
(K)
(L)

Form B
(Optional)

STATEMENT OF INDEBTEDNESS - POST FISCAL YEAR INDEBTEDNESS ONLY
FILED FOR THE 2006-2007 TAX YEAR

To be used only if the agency wishes to include indebtedness entered into after June 30

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: MOUNT HOPE

For Indebtedness Entered into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A)						-	-
(B)						-	-
(C)							
(D)							
(E)							
(F)							
(G)							
(H)							
(I)							
(J)							
(K)							
(L)							
Totals, Post Fiscal Year Indebtedness						-	-

Purpose of Indebtedness:

(A) LOW/MOD HOUSING SET-ASIDE
(B) SEDC ADMINISTRATION
(C)
(D)
(E)
(F)
(G)
(H)
(I)
(J)
(K)
(L)

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: MOUNT HOPE

Tax Year 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

SOI, page and line: Prior Yr	SOI, page and line: Current Yr	Debt Identification: Brief Description	A Outstanding Debt All Beginning Indebtedness	B Adjustments: Increases (Attach Explanation)	C Adjustments: Decreases (Attach Explanation)	D Amounts Paid Against Indebtedness, from: Tax Increment	E Amounts Paid Against Indebtedness, from: Other Funds	F Remaining Balance (A+B-C-D-E)
Pg 1 Line A	Pg 1 Line A	CITY LOAN	4,395,745	85,405	0	0	0	4,481,150
Pg 1 Line B	Pg 1 Line B	AGREEMENT WITH CITY OF SAN DIEGO	0	44,893	0	44,893	0	0
Pg 1 Line C	Pg 1 Line C	CONTRACTS - OTHER ADIMINISTRATION	0	62,937	0	62,937	0	0
Pg 1 Line D	Pg 1 Line D	SEDC ADMINISTRATION	0	113,210	0	113,210	0	0
Pg 1 Line E	Pg 1 Line E	SERIES 1995 BONDS	4,225,000	252,022	845,000	358,651	9,371	3,264,000
Pg 1 Line F	Pg 1 Line F	SERIES 2002 BONDS	3,055,000	122,200	611,000	122,024	176	2,444,000
Pg 1 Line G	Pg 1 Line G	CONTRACTS - LEGAL SERVICES	15,000	0	1,079	3,866	3,435	6,620
Pg 1 Line H	Pg 1 Line H	CONTRACTS - PLANNING AND DESIGN	17,300	6,450	0	4,333	5,308	14,109
Pg 1 Line I	Pg 1 Line I	CONTRACTS - PROPERTY MANAGEMENT	0	9,655	0	9,655	0	0
Pg 1 Line J	Pg 1 Line J	CONTRACTS - PROJECT IMPROVEMENTS	1,691	21,058	0	9,387	9,834	3,528
TOTAL-THIS PAGE			11,709,736	717,830	1,457,079	726,956	28,124	10,213,407
TOTALS FORWARD			0	364,004	2,200	361,804	0	0
GRAND TOTALS			11,709,736	1,081,834	1,459,279	1,090,760	28,124	10,213,407

NOTE: This form is to reconcile the previous Statement of Indebtedness to the current one being filed. However, since the reconciliation period is limited by law to a July 1 - June 30 fiscal year period, only those items included on the SOI Form A is to be included on this document. To assist in following each item of indebtedness from one SOI to the next, use page and line number references from each SOI that the item of indebtedness is listed on. If the indebtedness is new to this fiscal year, enter "new" in the "Prior Yr" page and line columns. Column F must equal the current SOI, Form A Total Outstanding Debt column.

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: MOUNT HOPE

Tax Year 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

			A	B	C	D	E	F
Debt Identification:			Outstanding Debt	Adjustments		Amounts Paid Against Indebtedness, from:		Remaining
SOI, page and line:		Brief	All Beginning	Increases	Decreases			Balance
Prior Yr	Current Yr	Description	Indebtedness	Attach Explanation	Attach Explanation	Tax Increment	Other Funds	(A+B-C-D-E)
Pg 2 Line A	Pg 2 Line A	BOND SALE EXPENSE	0	0	2,200	(2,200)	0	0
Pg 2 Line B	Pg 2 Line B	CONTRACTS - PROGRAM MANAGEMENT	0	2,265	0	2,265	0	0
Pg 2 Line C	Pg 2 Line C	LOW/MOD HOUSING SET-ASIDE*	0	258,223	0	258,223	0	0
Pg 2 Line D	Pg 2 Line D	COUNTY ADMINISTRATION FEE	0	8,516	0	8,516	0	0
Pg 2 Line E	Pg 2 Line E	ERAF PAYMENTS	0	95,000	0	95,000	0	0
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
Pg Line	Pg Line							
TOTAL-THIS PAGE			0	364,004	2,200	361,804	0	0

*Excludes Low/Mod portion of County Administration Fees of $1,703.16

CALCULATION OF AVAILABLE REVENUES

AGENCY NAME REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

PROJECT AREA MOUNT HOPE

TAX YEAR 20(2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

1. Beginning Balance, Available Revenues (See instructions)	$579,143
2. Tax Increment Received - Gross All Tax Increment Revenues, to include any Tax Increment passed through to other local taxing agencies.	1,299,631
3. All other Available Revenues Received (See instructions)	18,436
4. Revenues from any other source, included in Column E of the Reconciliation Statement, but not included in (1-3) above	28,124
5. Sum of Lines 1 through 4	1,925,334
6. Total amounts paid against indebtedness in previous year. (D + E on Reconciliation Statement)	1,118,884
7. Available Revenues, End of Year (5-6) FORWARD THIS AMOUNT TO STATEMENT OF INDEBTEDNESS, COVER PAGE, LINE 4	$806,450

NOTES

Tax Increment Revenues:

The only amount(s) to be excluded as Tax Increment Revenue are any amounts passed through to other local taxing agencies pursuant to Health and Safety Code Section 33676. Tax Increment Revenue set-aside in the Low and Moderate Income Housing Fund will be washed in the above calculation, and therefor omitted from Available Revenues as year end.

Item 4. above:

This represents any payments from any source other than Tax Increment OR available revenues. For Instance, an agency funds a project with a bond issue. The previous SOI included a Disposition Development Agreement (DDA) which was fully satisfied with these bond proceeds. The DDA would be shown on the Reconciliation Statement as fully repaid under the "other" column (Col E), but with funds that were neither Tax Increment, nor "Available Revenues" as defined. The amounts used to satisfy this DDA would be included on line 4 above in order to accurately determine ending "Available Revenues".

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

MOUNT HOPE

Page	Line		
1	A	85,405	Increase in Interest on City Loans
1	B	$44,893	Increase in City Services
1	C	$62,937	Increase in Other Administrative Contracts
1	D	113,210	Increase SEDC Administration
1	E	252,022	Interest Series 1995 Bonds
1	E	(845,000)	Remove Housing Bonds to be paid from L/M
1	F	122,200	Increase Series 2002 Bonds
1	F	(611,000)	Remove Housing Bonds to be paid from L/M
1	G	(1,079)	Decrease in Contracts for Legal Services
1	H	6,450	Increase in Contracts for Planning and Design
1	I	9,655	Increase in Property Management Contracts
1	I	21,058	Increase in Project Improvement Contracts
2	A	(2,200)	Decrease in Bond Sales Expense
2	B	2,265	Increase in Program Management Contracts
2	C	258,223	Increase in Low/Mod Housing Set-Aside
2	D	8,516	Increase in County Administrative Fees
2	E	95,000	Increase in ERAF Payments Made to State of California
		(377,445)	Net Increase in debt

Cover Page

STATEMENT OF INDEBTEDNESS - CONSOLIDATED
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: SOUTHCREST

Balances Carried Forward From:		Line	Current Total Outstanding Debt	Current Principal/Interest Due During Tax Year
Fiscal Period - Totals	(From Form A, Page 1 Totals)	(1)	22,143,387	19,183,993
(Optional) **Post Fiscal Period - Totals**	(From Form B Totals)	(2)	0	0
Grand Totals		(3)	22,143,387	19,183,993
Available Revenues From Calculation of Available Revenues, Line 7		(4)	1,304,379	
Net Requirement		(5)	20,839,009	

Consolidate on this form all of the data contained on Form A and B (including supplemental pages). Form A is to include all indebtedness entered into as of June 30 of the Fiscal Year. Form B may be filed at the option of the agency, and is to include indebtedness entered into post June 30 of the Fiscal Year, pursuant to Health and Safety Code Section 33675(c)(2). This is optional for each agency and is not a requirement for filing the Statement of Indebtedness. The Reconciliation Statement is to include indebtedness from Form A only.

Certification of Chief Financial Officer:
Pursuant to Section 33675 (b) of the Health and Safety Code, I hereby certify that the above is a true and accurate Statement of Indebtedness for the above named agency.

Lawrence Tomanek, Assistant Auditor and Comptroller
Name

Signature

Rev. 6/3/94

Attachment No. 2

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area SOUTHCREST

For Indebtedness Entered Into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) CITY LOAN	As Of 6/30/05	9,911,142	N/A	6.00%	8,418,455	18,807,764	18,807,764
(B) AGREEMENT WITH CITY OF SAN DIEGO	As Of 6/30/05	113,995	N/A	N/A	0	0	0
(C) CONTRACTS - OTHER ADMINISTRATIVE	07/01/03	449,549	N/A	N/A	0	0	0
(D) SEDC ADMINISTRATION	07/01/03	449,549	N/A	N/A	0	0	0
(E) SERIES 1995 BONDS	06/01/95	3,750,000	25	4.75-6.592%	2,747,330	1,964,000	217,218
(F) SERIES 2000 BONDS	05/01/00	1,860,000	25	4.45-6.5%	1,913,332	1,336,000	123,388
(G) CONTRACTS - LEGAL SERVICES	07/01/02	625	N/A	N/A	0	8,000	8,000
(H) CONTRACTS - PLANNING AND DESIGN	07/01/02	89,986	N/A	N/A	0	27,323	27,323
(I) CONTRACTS - PROPERTY MANAGEMENT	07/01/03	6,594	N/A	N/A	0	300	300
(J) CONTRACTS - PROJECT IMPROVEMENTS	07/01/02	1,172,645	N/A	N/A	0	0	0
Subtotal, This Page						22,143,387	19,183,993
Total Forward From All Other Pages						0	0
Totals, Fiscal Year Indebtedness						22,143,387	19,183,993

Purpose of Indebtedness:

(A) SOUTHCREST REDEVELOPMENT PROJECT
(B) CITY OF SAN DIEGO ADMINISTRATIVE SERVICES
(C) OTHER ADMINISTRATIVE SERVICES
(D) SEDC ADMINISTRATION
(E) BONDS ISSUED FOR PROJECT AREA
(F) BONDS ISSUED FOR PROJECT AREA
(G) LEGAL SERVICES FOR PROJECT AREA
(H) PLANNING AND DESIGN SERVICES FOR PROJECT AREA
(I) PROPERTY MANAGEMENT FOR PROJECT AREA
(J) PROJECT IMPROVEMENTS FOR PROJECT AREA

STATEMENT OF INDEBTEDNESS - FISCAL YEAR INDEBTEDNESS
FILED FOR THE 2006-2007 TAX YEAR

Name of Redevelopment Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: SOUTHCREST

For Indebtedness Entered into as of June 30, 2006

	Original Data					Current	
Debt Identification	Date	Principal	Term	Interest Rate	Total Interest	Total Outstanding Debt	Principal/Interest Due During Tax Year
(A) CONTRACTS - PROGRAM MANAGEMENT	07/01/03	23,646	N/A	N/A	0	0	0
(B) LOW/MOD HOUSING SET-ASIDE	07/01/03	164,964	N/A	N/A	0	0	0
(C) COUNTY ADMINISTRATION FEE	07/01/04	8,986	N/A	N/A	0	0	0
(D) ERAF PAYMENTS	07/01/03	34,637	N/A	N/A	0	0	0
Total This Page						0	0

Purpose of Indebtedness:
(A) PROGRAM MANAGEMENT FOR PROJECT AREA
(B) LOW/MOD HOUSING SET ASIDE NET OF COUNTY ADMIN FEES
(C) COUNTY ADMINISTRATION FEES
(D) STATE EDUCATIONAL REVENUE AUGMENTATION FUND PAYMENTS
(G)
(H)
(I)
(J)
(K)
(L)

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: SOUTHCREST

Tax Year: 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

SOI, page and line: Prior Yr	SOI, page and line: Current Yr	Debt Identification: Brief Description	A Outstanding Debt All Beginning Indebtedness	B Adjustments: Increases (Attach Explanation)	C Adjustments: Decreases (Attach Explanation)	D Amounts Paid Against Indebtedness, from: Tax Increment	E Amounts Paid Against Indebtedness, from: Other Funds	F Remaining Balance (A+B-C-D-E)
Pg 1 Line A	Pg 1 Line A	CITY LOAN	18,329,597	998,167	0	0	520,000	18,807,764
Pg 1 Line B	Pg 1 Line B	AGREEMENT WITH CITY OF SAN DIEGO	0	54,630	0	54,630	0	0
Pg 1 Line C	Pg 1 Line C	CONTRACTS - OTHER ADMINISTRATIVE	0	75,924	0	73,174	2,750	0
Pg 1 Line D	Pg 1 Line D	SEDC ADMINISTRATION	0	56,301	0	56,301	0	0
Pg 1 Line E	Pg 1 Line E	SERIES 1995 BONDS	2,560,000	130,632	512,000	214,632	0	1,964,000
Pg 1 Line F	Pg 1 Line F	SERIES 2000 BONDS	1,715,000	85,650	343,000	117,784	3,866	1,336,000
Pg 1 Line G	Pg 1 Line G	CONTRACTS - LEGAL SERVICES	7,000	8,000	0	0	7,000	8,000
Pg 1 Line H	Pg 1 Line H	CONTRACTS - PLANNING AND DESIGN	28,948	12,038	0	4,649	9,014	27,323
Pg 1 Line I	Pg 1 Line I	CONTRACTS - PROPERTY MANAGEMENT	0	14,099	0	13,799	0	300
Pg 1 Line J	Pg 1 Line J	CONTRACTS - PROJECT IMPROVEMENTS	30,103	82,757	0	0	112,860	0
TOTAL-THIS PAGE			22,670,648	1,518,197	855,000	534,968	655,490	22,143,387
TOTALS FORWARD			0	440,727	0	440,727	0	(0)
GRAND TOTALS			22,670,648	1,958,924	855,000	975,695	655,490	22,143,387

NOTE: This form is to reconcile the previous Statement of Indebtedness to the current one being filed. However, since the reconciliation period is limited by law to a July 1 - June 30 fiscal year period, only those items included on the SOI Form A is to be included on this document. To assist in following each item of indebtedness from one SOI to the next, use page and line number references from each SOI that the item of indebtedness is listed on. If the indebtedness is new to this fiscal year, enter "new" in the "Prior Yr" page and line columns. Column F must equal the current SOI, Form A Total Outstanding Debt column.

RECONCILIATION STATEMENT - CHANGES IN INDEBTEDNESS

Name of Agency: REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Name of Project Area: SOUTHCREST

Tax Year 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

Debt Identification: SOI, page and line: Prior Yr	Current Yr	Brief Description	A Outstanding Debt All Beginning Indebtedness	B Adjustments Increases (Attach Explanation)	C Adjustments Decreases (Attach Explanation)	D Amounts Paid Against Indebtedness, from: Tax Increment	E Other Funds	F Remaining Balance (A+B-C-D-E)
Pg 2 Line B	Pg 2 Line A	CONTRACTS - PROGRAM MANAGEMENT	0	2,523	0	2,523	0	0
Pg 2 Line C	Pg 2 Line B	LOW MOD HOUSING SET-ASIDE*	0	332,226	0	332,226	0	0
Pg 2 Line D	Pg 2 Line C	COUNTY ADMINISTRATION FEE	0	10,978	0	10,978	0	0
Pg 2 Line E	Pg 2 Line D	ERAF PAYMENTS	0	95,000	0	95,000	0	0
TOTAL-THIS PAGE			0	440,727	0	440,727	0	(0)

* Excludes Low/Mod portion of County Administration Fee of $2,195.58

CALCULATION OF AVAILABLE REVENUES

AGENCY NAME REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

PROJECT AREA SOUTHCREST

TAX YEAR 2006-2007

Reconciliation Dates: July 1, 2005 To June 30, 2006

1. Beginning Balance, Available Revenues (See instructions)	$586,291
2. Tax Increment Received - Gross All Tax Increment Revenues, to include any Tax Increment passed through to other local taxing agencies.	1,672,110
3. All other Available Revenues Received (See instructions)	21,673
4. Revenues from any other source, included in Column E of the Reconciliation Statement, but not included in (1-3) above	655,490
5. Sum of Lines 1 through 4	2,935,564
6. Total amounts paid against indebtedness in previous year. (D + E on Reconciliation Statement)	1,631,185
7. Available Revenues, End of Year (5-6) FORWARD THIS AMOUNT TO STATEMENT OF INDEBTEDNESS, COVER PAGE, LINE 4	$1,304,379

NOTES

Tax Increment Revenues:

The only amount(s) to be excluded as Tax Increment Revenue are any amounts passed through to other local taxing agencies pursuant to Health and Safety Code Section 33676. Tax Increment Revenue set-aside in the Low and Moderate Income Housing Fund will be washed in the above calculation, and therefor omitted from Available Revenues as year end.

Item 4. above:

This represents any payments from any source other than Tax Increment OR available revenues. For Instance, an agency funds a project with a bond issue. The previous SOI included a Disposition Development Agreement (DDA) which was fully satisfied with these bond proceeds. The DDA would be shown on the Reconciliation Statement as fully repaid under the "other" column (Col E), but with funds that were neither Tax Increment, nor "Available Revenues" as defined. The amounts used to satisfy this DDA would be included on line 4 above in order to accurately determine ending "Available Revenues".

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

SOUTHCREST PROJECT

Page	Line		
1	A	998,167	Additional Interest
1	B	54,630	Increase in City Services
1	C	75,924	Increase in Othe Administrative Services
1	D	56,301	Increase in SEDC Administration
1	E	130,632	Interest on 1995 Series Bonds
1	E	(512,000)	Remove the HTF Bonds Paid from L/M
1	F	85,650	Interest on 2000 Series Bonds
1	F	(343,000)	Remove the HTF Bonds Paid from L/M
1	G	8,000	Increase in Legal Contracts
1	H	12,038	Decrease in Planning and Design Contracts
1	I	14,099	Increase in Property Management Contracts
1	J	82,757	Decrease in Project Improvement Contracts
2	A	2,523	Increase in Program Management Contracts
2	B	332,226	Increase in Low/Mod Set-Aside
2	C	10,978	Increase in County Administration Fees
2	D	95,000	ERAF Payments made to State of California
		$1,103,924	Net increase in debt

See UT article below….

Union-Tribune Publishing Co. Jul 8, 2007

If you are a renter in San Diego, take note.

There's a new agency whose purpose is to deal with complaints of housing discrimination and to help you resolve any conflict you may have with your landlord. And the help is free.

The group is the Center for Social Advocacy, a nonprofit social agency that also fights housing discrimination in cities like Carlsbad, El Cajon, Escondido, La Mesa and Lemon Grove.

The group won an annual $88,000 city contract recently, which came as a surprise to many, since another organization had held the contract since 1989.

"Housing discrimination is still a big problem all over the county because it's very subtle and there are many ways to discriminate," said Russell Dehnel, the group's executive director.

According to the organization, founded in 1968 under the name Heartland Human Relations, some of the most frequent complaints about discrimination involve:

* Refusing to rent to minorities.

* Refusing to rent to people with children.

* Refusing to rent to people with assistance dogs.

* Not maintaining the property because the tenants are undocumented immigrants.

Dehnel said his group documents complaints and forwards them to the appropriate government agencies. It also mediates conflicts between landlords and tenants and recommends people to attorneys.

With the money from the contract, the group plans to hire a full- time and a part-time worker and to organize presentations to inform tenants of their rights.

"There are many people who are undocumented and who are at risk from discrimination, and also many people who are legal residents or citizens who are also victims," he said. "We're here to help."

The Center for Social Advocacy is one of the oldest social agencies in the county. Besides fighting housing discrimination, its goals are to fight poverty, human trafficking and human rights violations.

In recent months, the group has assumed a more prominent role in favor of immigrants, joining a consortium of local organizations that support comprehensive immigration reform.

Not everyone is happy the contract changed hands.

"We're still in shock," said Mary Scott Knoll, executive director of the Fair Housing Council of San Diego, the group that lost the contract. "We are the most qualified agency in terms of housing matters in the entire region," she said, "I intend to appeal the decision before the Housing Commission," the municipal agency in charge of housing matters.

A commission representative said this year had been the first time since 1989 that another agency competed for the contract, which is given for a maximum of three years and then open for bidding.

The government agency evaluated the groups according to four criteria: experience, transparency in their budget, activity programs and collaboration with other cities in the county.

"The Center for Social Advocacy received more points in the four criteria and that's why it got the contract," said Erika Rooks, the commission's communications manager.

Rooks added that her agency had received the appeal by the Fair Housing Council of San Diego and would have a decision in the next few days.

WHERE TO GO FOR HELP

The Center for Social Advocacy receives complaints of discrimination and passes them on to the appropriate government agencies at no charge. It also offers mediation to tenants facing problems with their landlords. The complaints are made by phone at (619) 444-5700. Operators speak Spanish. The center's address is 1068 Broadway, El Cajon.

Online: www.c4sa.org.

Credit: STAFF WRITER

Abstract

(Document Summary)

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